



BAHRAIN PROPERTY REPORT Q2 2023

Progressive property valuation and transaction volume improvement have been witnessed due to increased local and regional economic stability and growth.

ASK Real Estate



TABLE OF CONTENTS

Real Estate Performance and Key PI	2
Macro Economic Snapshots	3
- Global	3
- Regional	3
- Bahrain	4
International Rankings	5
Property Market.....	5
- Office Sector.....	5
- Retail Sector	6
- Industrial Sector	7
- Residential Sector	8
- Hospitality Sector	10
Occupancy & Yields rate	12
Construction cost guideline	12
2023 Outlook	13
Our Services	14
Contact Details	14

REAL ESTATE PERFORMANCE AND KEY PI



TRANSACTIONS VOLUME



5278

TRANSACTIONS VALUE



BHD 299,348,822

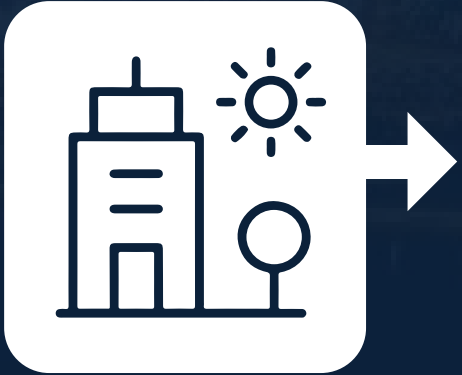
RENTAL RATES



OCCUPANCY- OFFICE AND RETAIL



HOTEL AND TOURISM



OCCUPANCY



47.13%

AVERAGE DAILY RATE



BHD 68.38

REVENUE PER AVAILABLE ROOM



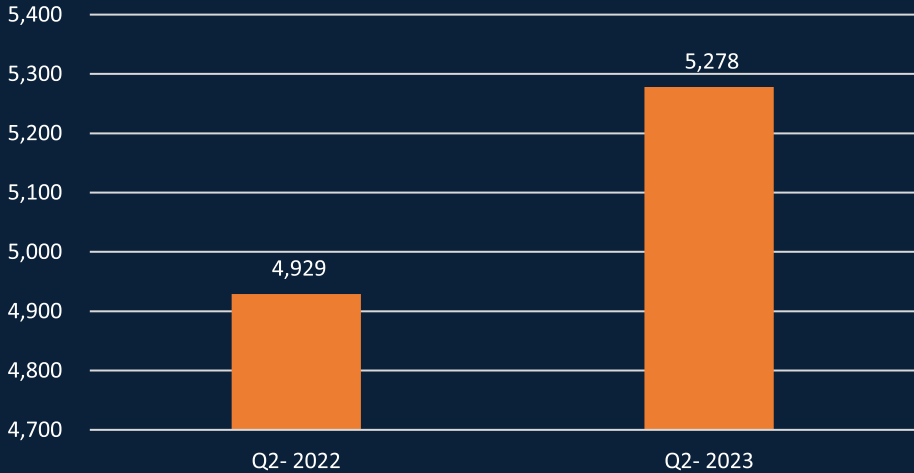
BHD 32



REAL ESTATE PERFORMANCE AND KEY PI

- The Bahrain Property Market has continued to recover from the Covid 19 pandemic. Construction projects which had stalled during the Covid 19 peak pandemic period are now well on track. New projects have also been launched. The Bahrain skyline continues to be a hive of construction activities signalling the return to economic normalcy.
- The total real estate transactions in the 2nd quarter of 2023 stood at 5,278 compared to 4,929 for the same period last year. This was a circa 7% increase compared to the same period last year. The transactions were worth BHD 299,348,822, which is about 23% up from Q1 of 2023.

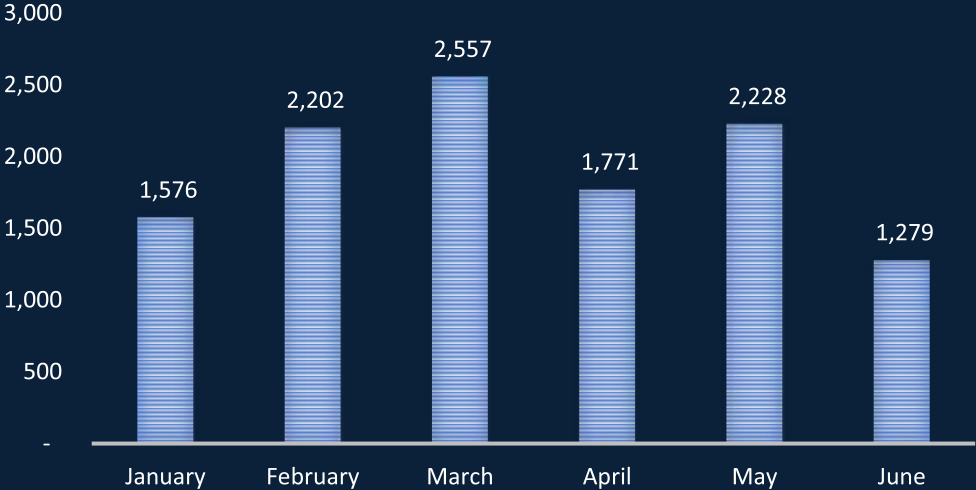
Transactions Volume



REAL ESTATE PERFORMANCE AND KEY PI



YTD Transaction Volume



Overall market rents remained relatively stable.

MACRO ECONOMIC SNAPSHOTS

GLOBAL

- The failure of several US regional banks has resulted in marked tightening of credit conditions across the globe.
- The property market is expected to slow down in the aftermath of the failure of the several US regional banks.
- The US Fed announced an additional rate hike of 25 basis points during April. The Central Bank of Bahrain followed suit. However, it maintained the rate at the same level in June.
- The increase in inflation in most countries has led to increases in interest rates and subsequently higher borrowing costs for real estate buyers.
- According to the latest RICS Global Commercial Property Monitor, the deteriorating credit conditions remain a drag on investors enquiries in more mature markets.

REGIONAL

- According to an IMF May 2023 Report, growth is expected to slow in the Middle East and North Africa (MENA) as tight policies to fight inflation, reduce vulnerabilities, and rebuild buffers start to dent economic activity in many countries, and agreed oil production cuts curb growth in oil exporters. GCC economies are expected to moderate to 3.6% in 2023 from 6.5% in 2022.
- Inflation is projected to remain persistent.
- Middle East countries have been affected by the turbulence in global financial markets and increased policy uncertainty, although direct exposure to US and European banks is limited. Further bouts of financial turbulence would reinforce strains, particularly in countries with large debt burdens (IMF, 2023). Middle East economies could further be indirectly impacted through a deeper deceleration of global economic growth from tighter global lending standards and its impact on oil price volatility, (IMF, 2023).
- In May S&P Global Ratings re-affirmed its 'B+/B' long- and short-term foreign and local currency sovereign credit ratings on Bahrain. The outlook remains positive, according to S&P. The positive outlook is supported by continued financial sector stability and the potential for wider current account surpluses over the forecast horizon.

MACRO ECONOMIC SNAPSHOTS

BAHRAIN

- The country is still under the National Economic Recovery Plan, which was launched in 2021. The plan aims to drive economic growth based on five main pillars, including the launch of strategic projects valued at over US\$30 billion in various sectors, such as infrastructure, industrial, housing, tourism, and healthcare. The housing segment of the plan includes the “Sharaka” programme, which allows private developers to bid for contracts for government land, in line with the government’s commitment to strengthening its partnership with the private sector and providing quality houses for citizens.
- The fiscal deficit for 2022 was at BHD 178 million against a budget of BHD 1.185 billion, a decrease of 85% from the previous period. This was due to the continuing fiscal reforms, better-targeted subsidies under the Fiscal Balance Program (FBP) and the rebound in oil prices. However, the government deficit is expected to widen in 2023 as a result of lower oil prices. The FBP, through a series of reforms aims to balance the budget by 2024.
- Annual inflation was 3.6% in 2022, fuelled by the doubling of VAT to 10% and the outbreak of the war in Ukraine. This was an increase from the 2021 rate which was at -0.61%.
- Real GDP grew by 4.95% in 2022 compared to 2021. This was the highest real GDP growth rate since 2013 and was driven by the non-oil sector which grew by 6.2%, the highest growth rate recorded over the past 10 years, (Min of Finance, 2023).
- Nonoil sectors witnessed YoY growth in 2022 in real terms, with Hotels and Restaurants at 13.9%; Real Estate and Business Activities at 5.5%; and construction at 1.4%.
- Inbound Tourism increased by 175% and the total value of inbound tourism in 2022 amounted to BHD 1.5 billion, an increase of 107%.
- According to the IMF and the Min of Finance, the economy is expected to grow by circa 3% in 2023 and the main driver of growth will shift from oil to non-oil activities. The below table tabulates the main economic indicators from 2021 up to 2024.

MACRO ECONOMIC SNAPSHOT

	2021	2022 (Prelim)	2023 (Forecast)	2024 (Forecast)
Real GDP growth (%)	2.7%	4.9%	2.9%	3.1%
Non-hydrocarbons sector	3.3%	6.2%	3.5%	3.6%
Hydrocarbons sector	-0.3%	-1.4%	0.0%	0.3%
Nominal GDP growth (%)	13.5%	12.9%	2.0%	4.9%
Inflation (CPI)	0.6%	3.6%	2.5%	3.0%
Current account (% of GDP)	6.6%	15.4%	6.5%	6.2%

Source: Min of Finance, 2023.

The country has a population density of 1915/km² as of December 2022.

INTERNATIONAL RANKING

1. Bahrain led the Arab World in the “Business Perception” indicator of the Global Opportunity Index 2023, published by the Milken Institute.
2. The country also ranked 4th globally and is among the top five countries across 4 of the indicators of The Islamic Finance Development Report 2022.
3. The country ranked 62nd out of 167 countries in the Legatum Prosperity Index 2023, issued by the Legatum Institute.

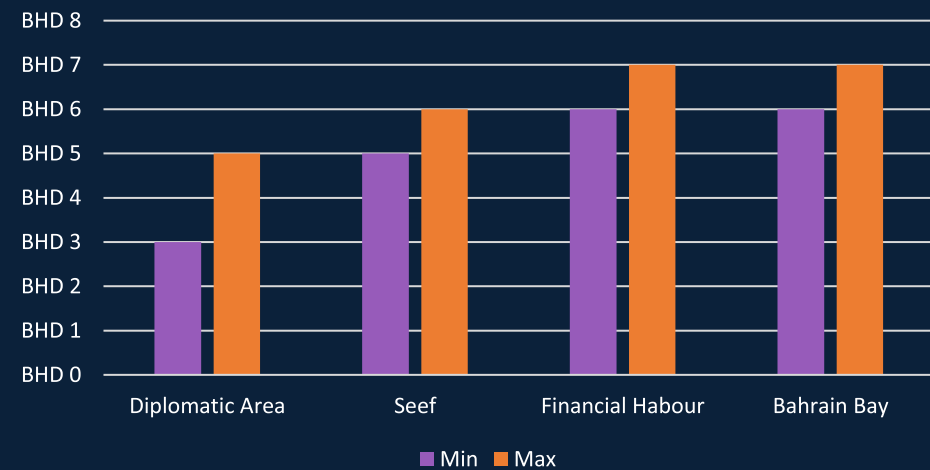


PROPERTY MARKET

OFFICE SECTOR

The office market is now characterised by flights to quality, as occupiers are moving to new greener buildings. The most affected area is the Diplomatic Area due to the inherent parking and traffic challenges. We have noticed a polarisation between best-in-class assets in the office sector and dated secondary assets. The prime yield for office investments is in the order of 7-10% and rentals are in the range of BHD 4 - 7 per square metre. The below charts tabulate the office rental rates in prime areas of Bahrain.

Office rental/m²





PROPERTY MARKET

OFFICE SECTOR

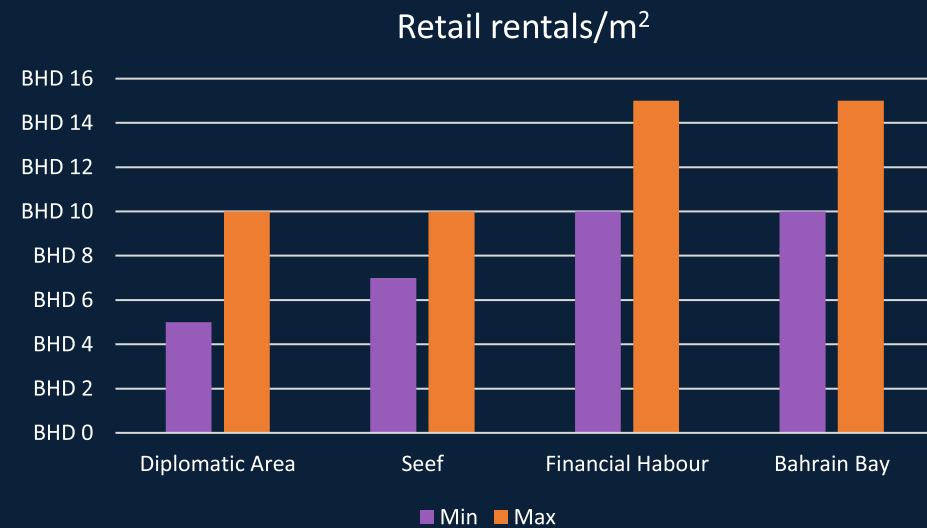
Rentals in Bahrain have remained stagnant in the past 3 years as a result of a number of factors including the increasing supply of investment properties. Construction of new residential and commercial properties has outpaced demand in recent years, leading to an oversupply of investment properties and downward pressure on rents; and the slowdown in economic growth in the Covid-19 era. However, with the economy projected to grow by 2.9% in 2023 and 3.1% in 2024 plus the development of new and modern infrastructure, such as roads (for example Al Fatih Highway), schools, and hospitals, we anticipate an increase in demand for properties, which will lead to higher rents and capital appreciation in the medium to the long term period.



PROPERTY MARKET

RETAIL SECTOR

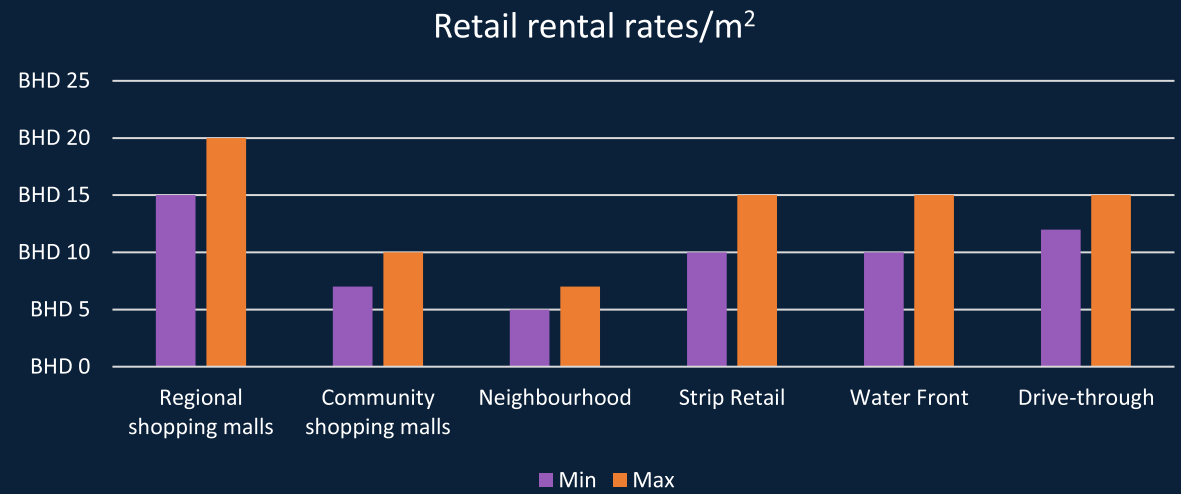
Prime yields for retail investments are in the order of 7-8% and rentals range between BHD 9 – BHD 15 per square metre. The expansion of the Avenues is expected to increase the stock of destination and experience shopping malls in Bahrain. The 1890 Boulevard and Seef Boulevard in Seef, which are under development are also expected to add to the retail stock. The below charts tabulate the retail rental rates in different prime locations of Bahrain.





PROPERTY MARKET

RETAIL SECTOR





PROPERTY MARKET

RETAIL SECTOR

The retail properties sector is expected to remain stable on the back of the growing population, which will create demand for new retail space; and the increasing affluence of the population. However, the sector faces several challenges such as the rise of e-commerce; and competition from developed neighbouring countries such as UAE. The growth of e-commerce is putting pressure on traditional brick-and-mortar retailers. However, there is still a strong demand for physical retail space, especially for high-end brands and retailers that offer unique shopping experience. The sector, therefore, needs to adapt to the challenges through a number of ways such as introducing experiential retail which focuses on providing customers with an interactive and memorable shopping experience such as interactive displays and virtual reality experiences; and focusing on sustainability which has becoming increasingly important to consumers. By adapting to these challenges and trends, the retail properties sector will continue to grow and thrive in the future.



PROPERTY MARKET

INDUSTRIAL SECTOR

The indicative yield for prime industrial properties in Bahrain ranges between 8% & 10% and rentals are between BHD 3 – BHD 5 per square metre. Assets in BIW are still commanding the high end of the spectrum. In the industrial sector, we have noticed an increase in demand for logistic and warehousing space as a result of the growth of the e-commerce sector. The e-commerce sector in Bahrain is expected to grow due to a number of factors including the increasing internet penetration; growing affluence of the population; government's support and increasing convenience and affordability of online shopping. With the e-commerce sector in Bahrain expected to grow at a (CAGR) of 8.3% between 2023 to 2027 and having a market worth circa BHD 590 million by 2027, we expect increased demand for logistic and warehousing space in the next five years.

RESIDENTIAL SECTOR

Rental rates and capital values have largely remained stagnant in most areas with no changes in rates. The below sections summarise the rentals and capital values per square metre in the different prime areas of Bahrain. Apartment with sea view commands the high end of spectrums.

SEEF

Use	Accommodation	Rental (BHD) per month	Capital Values
Residential Apartments	Studio	200 - 275	550 - 700
	1 bedroom	250 - 350	
	2 bedrooms	350 - 450	
	3 bedrooms	500 - 900	
	4 bedrooms	900 - 1500	

In Seef prime stock is available at The Court Yard, RP Tower, Millennium Tower, The address, Catamaran, The Platinum, Nodic Towers and the Seef Avenues. New projects under construction include Seef Avenues II, Sumo Tower, MBW Tower, and The District Tower.

RESIDENTIAL SECTOR

Rental rates and capital values have largely remained stagnant in most areas with no changes in rates. The below sections summarise the rentals and capital values per square metre in the different prime areas of Bahrain. Apartment with sea view commands the high end of spectrums.

REEF

Use	Accommodation	Rental (BHD) per month	Capital Values
Residential Apartments	Studio	500 - 600	
	1 bedroom	500 - 800	
	2 bedrooms	800 - 1350	
	3 bedrooms	1200 - 2500	
	4 bedrooms	1650 - 3000	

RESIDENTIAL SECTOR

Rental rates and capital values have largely remained stagnant in most areas with no changes in rates. The below sections summarise the rentals and capital values per square metre in the different prime areas of Bahrain. Apartment with sea view commands the high end of spectrums.

BAHRAIN BAY

Use	Accommodation	Rental (BHD) per month	Capital Values
Apartments	Studio	375 - 550	1400 - 1650
	1 bedroom	500 - 700	
	2 bedrooms	750 - 1200	
	3 bedrooms	1200 - 2500	
	4 bedrooms	2500 - 3000	

In Bahrain Bay, prime stock is available at Water Bay Residence Tower C. Projects under construction includes ONYX, Golden Gate, Four Seasons Private Residence Bahrain Bay and Paramount Residence. The Four Seasons Private Residence Bahrain Bay is expected to open late 2023. The long awaited Golden Gate is expected to deliver approximately 86 111 square meters into the market. The new projects are expected to significantly add to the existing stock and add pressure on the capital and rental values. Apartments in the area are being sold at between BHD 1400 – BHD 1650 per square metre depending on the size, aspect, and other material factors. Some of the penthouses at Bahrain Bay are listed at close to BHD 2000 per square metre.

RESIDENTIAL SECTOR

Rental rates and capital values have largely remained stagnant in most areas with no changes in rates. The below sections summarise the rentals and capital values per square metre in the different prime areas of Bahrain. Apartment with sea view commands the high end of spectrums.

HARBOUR AREAS

Use	Accommodation	Rental (BHD) per month	Capital Values
Apartments	Studio	300 -550	1400 - 1650
	1 bedroom	450 -700	
	2 bedrooms	750 - 1200	
	3 bedrooms	800 -1350	

Projects under construction in the area include First Energy Tower, which is almost complete and the Future Generations Revenue Tower. Apartments are being sold at between BHD 1400 – BHD 1650 per square metre, depending on the size, aspect and other material factors.

RESIDENTIAL SECTOR

Rental rates and capital values have largely remained stagnant in most areas with no changes in rates. The below sections summarise the rentals and capital values per square metre in the different prime areas of Bahrain. Apartment with sea view commands the high end of spectrums.

JUFFAIR

Use	Accommodation	Rental (BHD) per month	Capital Values
Apartments	Studio	250 - 350	450 - 700
	1 bedroom	300 - 600	
	2 bedrooms	400 - 800	
	3 bedrooms	500 - 1200	

Prime stock is available at Burj Kadi, Vevey, Jana Tower, Sama Tower, Cielo Tower, Providence Residence, Fontana Infinity, Fontana Tower TJ Tower, Capricorn Tower and The Vision. Projects under construction include the Farhan Tower.

RESIDENTIAL SECTOR

Rental rates and capital values have largely remained stagnant in most areas with no changes in rates. The below sections summarise the rentals and capital values per square metre in the different prime areas of Bahrain. Apartment with sea view commands the high end of spectrums.

AMWAJ

Use	Accommodation	Rental (BHD) per month	Capital Values
Apartments	Studio	200 - 250	700 - 850
	1 bedroom	280 - 500	
	2 bedrooms	300 - 750	
	3 bedrooms	1000 - 1500	

The long awaited Amwaj Beach Front development is finally expected to deliver 91 Town Houses with a sea front by the end of Q3.

OFF PLAN SALES PROJECTS

The number of registered off plan sales projects in the Kingdom of Bahrain now stands at 36.

The table adjacent tabulates the status and location of each approved off-plan sale project.

	License and Project Status	Development	Location
1	Completed	Deerat Al-Oyoun Phase 1	Diyar Al Muharraq
2	Completed	Deerat Al-Oyoun Phase 2	Diyar Al Muharraq
3	Active	Symphony Tower	Al Hooraa
4	Active	Harbour Row 2	Bahrain Bay
5	Completed	Marassi Residences	Marassi Al Bahrain
6	Completed	Marassi Shores Residences	Marassi Al Bahrain
7	Cancelled	Diyar Al Khair Phase 1	Al Daih
8	Completed	Marassi Boulevard	Marassi Al Bahrain
9	Completed	Danaat Al Lawzi	Al Lawzi
10	Completed	Al Bareh Phase 1 - 35 Villas	Diyar Al Muharraq
11	Completed	The Address Residences	Marassi Al Bahrain
12	Completed	Burj Kadi	Al Fateh
13	Completed	Canal View	Dilmunia
14	Active	Onyx Bahrain Bay	Bahrain Bay
15	Completed	Vita Suites	Al Fateh
16	Completed	The Courtyard Residence	Seef
17	Active	Difaaf	Reef Island
18	Active	Al Sidra - Phase 1 (89 units)	Diyar Al Muharraq
19	Completed	Jeewan Villas - Phase 1 (173 units)	Diyar Al Muharraq
20	Completed	Hanging Gardens of Dilmunia	Dilmunia
21	Active	Layan	Durrat Marina
22	Active	Harbour Row 3	SEA FRONT
23	Active	Somewhere Tower	Al Burhama
24	Cancelled	FEB Tower	SEA FRONT
25	Completed	Spiral Orchid	Water Gatden City
26	Completed	Jewaan Villas - Phase 2	Diyar Al Muharraq
27	Active	Marassi Park	Diyar Al Muharraq
28	Active	Al Naseem - Phase 1A	Diyar Al Muharraq
29	Active	Golden Gate	Bahrain Bay
30	Active	Address Residences Marassi Vista	Diyar Al Muharraq
31	Active	Al Naseem Phase 2	Diyar Al Muharraq
32	Active	Amwaj Beachfront - Townhouses	Amwaj
33	Active	Private Residences Bahrain Bay	Bahrain Bay
34	Active	Al Naseem Phase 2B	Diyar Al Muharraq
35	Active	Marassi Terraces	Diyar Al Muharraq
36	Active	Seef Avenues 2	Manama / SeaFront

Source: RERA



HOSPITALITY SECTOR

	Occupancy	
	2022	2023
April	23.30%	36.60%
May	58.20%	51.50%
June	51.30%	53.30%
Q2 Average	44.27%	47.13%

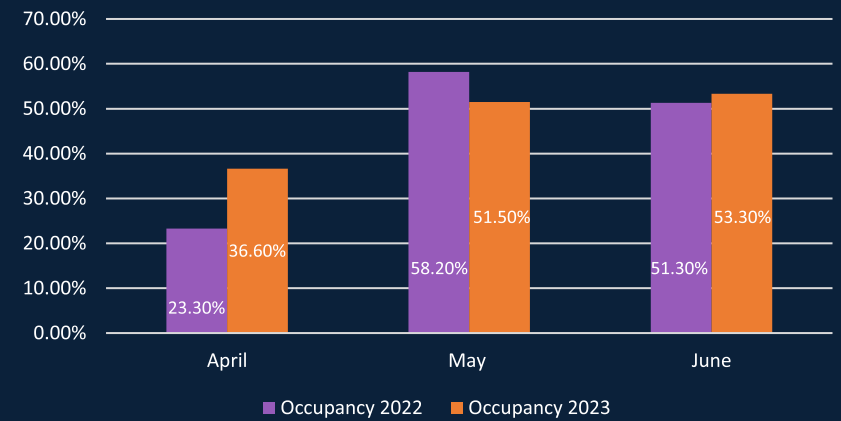
Source: ASK Research 2023

- The hospitality and hotel sector recorded an estimated 858 700 nights of tourism during the Q2 of the current year compared to circa 972 000 for Q1 of 2023. Compared to the same period last year i.e Q2 of 2022, which had circa 808 440 nights, this was an increase of 6%.
- The average hotel occupancy rate across all classes for Q2 was circa 47.13% compared to Q1 which was at 54%. However, this was an improvement compared to Q2 of the 2022, which had an occupancy rate of 44.27%.



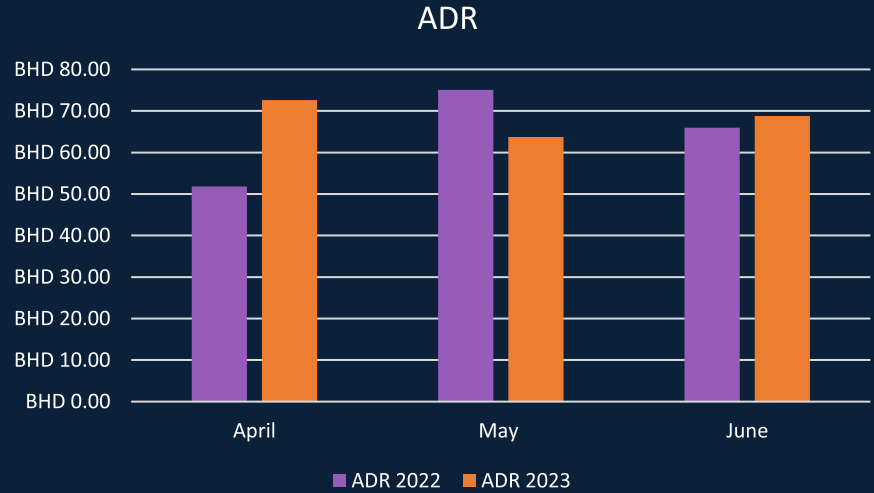
HOSPITALITY SECTOR

Hotel Occupancy





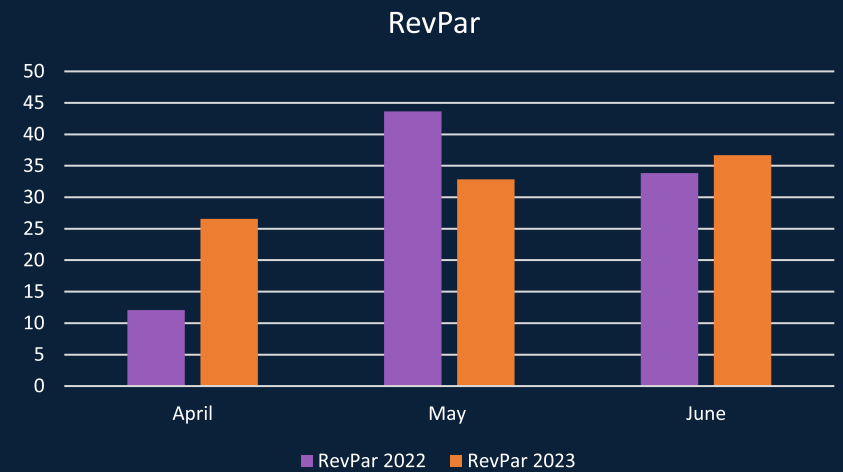
HOSPITALITY SECTOR



Average ADR for the same period was BHD68.38 for Q2, compared to BHD69 for Q1 and BHD 64.26 for the same period in 2022.



HOSPITALITY SECTOR



RevPar was BHD 32 for Q2, compared to 37 for Q1 of 2023 and Q2 of 2022 which was at 29.86.



OCCUPANCY & YIELDS RATE

Vacancy rates across the commercial market hover around 40% with best-in-class schemes commanding better occupancy levels of around 65%. As highlighted above there is now a flight to quality in the office sector. Older buildings with inefficient floor plates and poor parking arrangements are suffering from lower occupancy levels and higher falls in rental rate. The below table summarises the rentals and yields for prime properties.

Use	Prime Rentals /m ²	Yield (%)
Retail	BHD9-15	7-8
Offices	BHD 4-7	7-8
Industrial	BHD 3-5	8-10
Hotel & Tourism		7-8

CONSTRUCTION COST

The construction costs in the region have been rising steadily over the past years due to a number of factors including the rising material costs such as steel, cement, and timber as a result of increased demand from China and other developing countries; the ou break of the war in Ukraine; supply chain disruptions; soaring interest rates; and rising labour costs. This trend is expected to continue in 2023 and the coming years and construction costs in the Middle East are expected to rise by between of 5%-10% in 2023.

Building cost (BHD/m ²)		Bahrain		KSA		UAE	
Typology		Min	Max	Min	Max	Min	Max
Residential	Villas	245	509	226	415	415	830
	Low-rise	302	509	358	491	358	547
	Medium-rise	396	604	509	792	377	585
	High-rise	547	755	400	500	566	830
Hotels	Budget	585	679	509	623	642	717
	Mid- market	623	849	849	906	755	981
	Up-market	792	1,000	1,245	1,628	1,019	1,321
	Resort	943	1,264	1,455	1,719	1,208	1,396
Commercial	Low-rise (shell & core)	396	547	302	453	358	547
	Medium-rise (shell & core)	453	604	396	547	377	585
	High-rise (shell & core)	547	774	472	755	566	830
Retail	Community	396	509	302	415	491	596
	Regional Malls	453	604	415	528	509	623
	Super Regional Malls	547	698	528	642	566	717
Industrial	Light duty Factory	302	396	245	358	283	415
	Heavy Duty Factory	358	453	340	566	415	679
Car parks	Multi-storey	170	245	208	245	208	302
	Basement	245	377	302	358	308	411
Schools		528	679	302	509	517	774
Healthcare		943	1,151	736	1,038	830	1,396

Source: ASKRE RESEARCH 2023 & AECOM

2023 OUTLOOK

The Bahrain real estate market is expected to perform well in 2023, supported by strong demand from both local and international markets. The sector is expected to continue growing due to the growth of the tourism sector, which will drive demand for hotels and other hospitality properties; the rising demand for affordable housing and the government's efforts to address the housing shortage; and growth of the e-commerce sector. However, investors should be aware of the risks and challenges that the sector faces such as the global economic slowdown, rising inflation, and the ongoing war in Ukraine, and as such investors should carefully assess their investment options before making a decision.



OUR SERVICES

Valuation & Real Estate Advisory

Sale Agency

Property Management

Document Clearing

Facilities Management

Owner's Association Management

Letting Agency

Service Charges Analysis

CONTACT DETAILS

Abdul Karim Iazdhi
Chief Executive Office
35356225
karim@askre.com

Hamzeh Al Abdallat
Chief Operating Officer
37111202
hamzeh@askre.com

Cremio Kazembe (MRCS)
Head of Valuation & Real Estate
Advisory
37111921
cremio@askre.com

Marwa Hany
Business Development Manager
37111922
marwa@askre.com

Bashar Alami
Head of Sales and Marketing
36111980
bashar@askre.com

DISCLAIMER

This report is published for general information only.

Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by ASK Real Estate W.L.L for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of ASK Real Estate W.L.L in relation to particular properties or projects.

Reproduction of this report in whole or in part is allowed with proper reference to ASK Real Estate W.L.L Research.



THANK YOU