

Cityscape Intelligence Report: What you should know about investing in Bahrain





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INTRODUCTION

What you should know about investing in Bahrain

Bahrain is the smallest of the Gulf states, but it is no less important as a real estate investment destination.

The tiny kingdom boasts a hospitable investment environment, a healthy real estate landscape, and growing tourism and hospitality sectors. It also has strong links to Saudi Arabia – both literal, via the King Fahd Causeway, and figurative, via its economic and financial connections – the region’s largest economy.

Bahrain, therefore, has become a popular destination for international real estate investors, particularly from the wider Gulf region, but also from Europe and Asia. The Bahraini government is encouraging this, with economic initiatives aimed to boosting investment from within and without the country.

Like many of its neighbours, it has adopted an economic diversification plan to transition its economy away from hydrocarbons. Launched in the wake of the COVID-19 pandemic, this National Economic Recovery Plan aims to grow Bahrain’s economy by investing more than USD 30 billion in five main pillars: infrastructure, industrial, housing, tourism, and healthcare.

In particular, it aims to strengthen the connections between the public and private sectors to stimulate development and economic growth.



The government also launched a four-year National Real Estate Plan in 2021 in order to promote real estate investment. This five-pillar plan, created by the relatively recently founded Real Estate Regulatory Authority, seeks to implement international practices, preserve the rights of stakeholders, and a develop a regulatory framework under the key themes of sustainability, innovation, transparency and cohesion.

Even though the plan is still in its early days, Bahrain’s real estate sector certainly appears to be in rude health. Over the course of 2021, real estate transactions in the kingdom rose by 46% to USD2.8 billion, compared to USD1.9 billion in 2020. According to Bahrain’s Survey and Land Registration Board, total real estate transactions in 2021 reached 26,136, an increase of 35% on the 19,405 transactions in 2020.

A mark of the Bahraini government’s commitment to real estate isn’t just visible in its regulatory efforts – the country is actually seeking to physical increase the space available for residential and commercial development through land reclamation projects.

CHAPTER 1

Residential

The National Economic Recovery Plan's housing element is particularly important for real estate investors. It includes the "Sharaka" programme, which allows private developers to bid for contracts for government land. Over the next few years, it aims to build more than 16,000 housing units – a potential goldmine for the canny investor.

Residential real estate growth has been particularly healthy in the luxury segment. Market research firm Mordor Intelligence predicts a CAGR of greater than five per cent between 2022 and 2027, driven by increasing rental values and speculative activity – chiefly from Saudi and Kuwaiti investors.

Bahrain is witnessing an enormous amount of luxury developments across the kingdom. 4,322 luxury units are expected to be delivered over the next few years from major projects such as the Golden Gate Towers, Oryx Bahrain Bay, Paramount Tower, Harbour Row, and Amwaj Gateway.

The rental market is particularly important. According to Property Finder, the total rental market in Bahrain is worth approximately USD1.2 billion per annum, with foreign renters accounting for more than 70% of the total value. This is significant as, out of the total Bahraini population, just 27% are renters.



CHAPTER 3

Commercial

Bahrain is regarded as one of the very best locations in the Gulf region for investing in office space. A CBRE survey revealed around 60 per cent of respondents preferred to work in the office rather than remotely, demonstrating healthy demand for office space compared to over countries.

The CBRE report also recommended portfolio optimisation and a “well-managed” remote working strategy to improve the performance of office space investments. It also noted increased demand for Bahraini technology and fintech start-ups – a consequence of government support for the sector.

However, there is still an amount of uncertainty in the office sector. In 2021, office sales prices dropped by around 2.9%, while mid-end office rents experienced an average decrease of 13.3%. This is due to tenants seeking cheaper, less risky alternatives, or seeking more competitive higher-end office spaces.

scheduled to open later in 2022, Bahrain Bay Beach, Galali Beach, and the diving park.

This is a serious statement of intent and a welcome vote of confidence in Bahrain’s tourism sector, a vote of confidence borne out in the rapid growth in visitor numbers seen this year. In Q2 2022, arrivals in Bahrain increased by 38% in compared to Q1, with tourism revenues reaching USD871 million.

CHAPTER 4

Tourism and Hospitality

Tourism and hospitality is also seeing a lot of activity, with a number of new developments ongoing across the kingdom, including the new Bahrain International Exhibition and Convention Centre in Sakhir, which is



CHAPTER 5

Retail

The beginning of 2022 saw retail visitation dip compared to Q4 2021, raising questions about the health of Bahrain's retail real estate segment.

Although landlords took care to protect retail tenants during the COVID-19 restrictions, the pandemic drove a growth in online shopping that has left a lasting impact on the sector. Retail has thus been forced to adopt "omnichannel strategies" to remain competitive and maintain its post-pandemic recovery.

However, increasing pipeline supply is set to maintain the downward pressure on retail rents. The CBRE report predicts that landlords with flexible lease terms and shopping centres with flexible spaces will generate more interest from retails as they seek to reduce costs and become more efficient. Drive-throughs are also expected to remain popular.

Although there is less certainty in the retail space, it is still a potentially lucrative choice for real estate investors, although they will have to be smart and watch market trends closely to make the right investment decisions.



CHAPTER 6

Golden visa

Bahrain is putting its money where its mouth is when it comes to attracting international investors. Like most of its neighbours, it has introduced a golden visa scheme to make it easier for high net worth individuals to live, work, and invest in the kingdom.

In order to qualify for the golden visa, existing expatriate residents must have resided in Bahrain for no less than five years and earned a monthly basic salary of at least BD2,000 (USD5,300) during that time.

Other qualifying criteria for the Golden Visa include:

- own one or more properties valued at least at BD200,000 (USD530,000);
- Be a retiree with a monthly income of at least BD4,000 (US\$10,600);
- Be a "highly talented" individual such as an artist, athlete, or healthcare worker.

The golden visa grants the holder the indefinite right to reside in Bahrain, the ability to hire domestic servants, the right to work, and the ability to obtain visas for family members and dependents.

The visa is renewed indefinitely after ten years, provided the holder continues to meet the relevant criteria.

It gives individuals the ability to work and invest in Bahrain unhindered, allowing them the flexibility and security to conduct the kind of business the Bahraini government is keen to encourage. In that way, it is intended to benefit not just property investors, but the national economy as a whole.