

Bahrain's strategic vision for real estate  
**brings increased transparency  
and investment opportunities**





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## INTRODUCTION

Bahrain, a small island country in the Middle East, has a relatively stable real estate market that has shown resilience over the years. The government has implemented various measures to encourage foreign investment in the country's real estate sector, such as offering tax incentives and simplifying property registration procedures.

Bahrain's real estate market is segmented into residential, commercial, and industrial sectors, with each having its own dynamics and growth potential. While the pandemic has impacted the market, Bahrain has managed to minimize the effects and is poised for growth in the coming years, making it an attractive destination for real estate investors.



## CHAPTER 1

# How Bahrain is transforming its economy

Bahrain – like its Gulf neighbours – is on the cusp of an exciting economic transformation. Bahrain’s over-dependence on hydrocarbons means its economy is dangerously exposed to market fluctuations, and in an effort to eliminate this risk, the government has adopted a strategic framework for the diversification of the national economy.

Part of this strategy involves the strengthening of the country’s real estate market, in particular by making it more attractive to international investors.

To that end, the government introduced a “five-pillar” economic transformation programme in November 2021, which includes steps to better align Bahrain with international best practice, through labour market changes, and funding for logistics and tourism.

In addition, the government has introduced new regulations to balance the national budget, raise VAT by 10%, and make major investments in industrial projects and infrastructure.

Economic diversification, more robust regulations, and a transparent legislative environment will have the dual effect of insulating Bahrain’s economy from any future decline in the price of oil and attracting more confidence and interest from international investors.

For the real estate market, it is extremely encouraging.



## CHAPTER 2

# Real estate: State of play

With the Covid-19 pandemic now receding into the background, Bahrain's property market is returning to its full health.

Several major development projects that were paused or cancelled in 2020 at the start of the pandemic have now resumed, indicating an exciting new era of property expansion – and a surplus of new investment opportunities in the near future.

According to the latest figures from ASK Real Estate, the value of real estate transactions at the end of 2022 was USD 2.8 billion – 3.9 per cent higher than 2021's figure of USD 2.7 billion. This modest increase represents 21,603 transactions over the course of the year, compared to 21,444 in 2021.

It will nevertheless be encouraging news for the national authorities, demonstrating as it does that the Bahraini real estate sector is capable of maintaining pre-pandemic levels, even if the 2018 peak has yet to be reached.

However, it also reveals the need for further efforts if Bahrain is to realise its strategic vision for real estate and property development. This effort is part of the kingdom's aim to diversify its economy away from oil, a goal shared by most of its Gulf neighbours.



## CHAPTER 3

# Increasing international interest

Bahrain has already made a number of efforts to make its real estate market considerably more transparent and accessible, particularly for international property buyers and high net worth individuals.

Among these is the Golden Visa residency scheme, launched in 2022 to overhaul immigration laws and promote international investment in its real estate sector.

Available to property owners, residents, retirees, and highly talented individuals, the visa aims to attract investment by removing existing barriers to entry for those eager to own properties in the kingdom.

The Golden Visa has been joined by a number of regulatory and legislative efforts to address existing concerns in the market, and improve consumer and investor confidence.

Encouragingly, the Bahraini government has also taken steps to address and resolve existing issues in its real estate market.

In February 2023, The Housing and Urban Planning Minister Amna Al Romaihi announced plans to resolve decades-old land and property disputes by amending the 1994 Land Division Law to introduce long-awaited guidelines for resolving legal disputes.

Earlier in 2022, King Hamad Bin Isa Al Khalifa issued a directive to allow judges to deal with properties in inheritance portfolios rather than only land parcels, closing another legal loophole having a negative impact upon the property market.

## CHAPTER 4

# Luxury real estate

Although it doesn't attract as much attention as its larger neighbours, Bahrain's luxury residential real estate market is going from strength to strength. Some forecasts expect it to register a CAGR (Compound annual growth rate) of greater than 5% by 2027 – a healthy increase by any measure.

Bahrain's market, however, is still suffering the lingering effects of the pandemic, with rental deals and sales transactions still sluggish compared to pre-2020 levels. However, they are on the rise, thanks to comparatively low prices.

There are plenty of luxury developments underway in Bahrain, with villas – equipped with swimming pools and other high-end facilities – representing a key segment of the market as many existing owners seek to upgrade. Studio apartments are also doing well.

Much of the foreign investment has come from Kuwaiti and Saudi buyers. These speculators are driving up land prices, with high-end residential areas witnessing relatively high price appreciation, particularly in areas such as Saar and Budaiya.

In Juffair, land prices have increased from around USD 10 to around USD 66 per square foot in just a few short years.

## CHAPTER 5

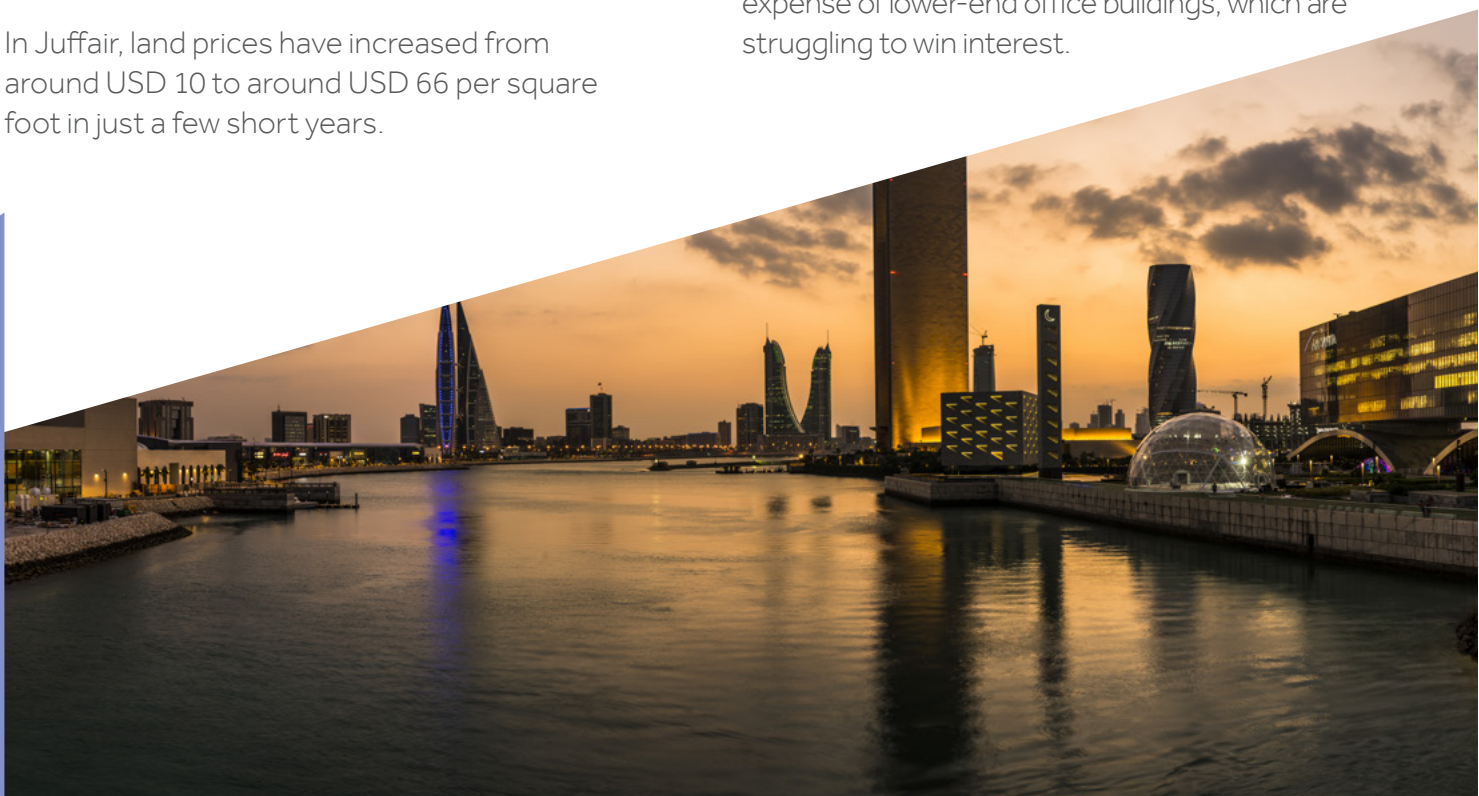
# Retail and office space

Although the retail sector is growing relatively slowly, there are areas of substantial growth. Among these are drive-through eateries, which has become a major component of retail real estate growth over the last few years.

Office space real estate transactions are currently booming and in high demand. The Covid-19 pandemic saw occupier space requirements plummet, but in 2022 the demand for high-quality office space increased.

Forecasts are positive. Mordor Intelligence anticipates Bahrain's flexible office space to see a CAGR (Compound annual growth rate) of over 8% during the forecast period of 2022-2027, driven in part by changing workplace habits that call for a more flexible approach to office use.

Property consultancy firm CBRE said it has witnessed a 27% increase in the number of enquiries for office space they have received in Q3 2022, compared to the same period in 2021. This demand is being met by the highest quality office stock, which is offering competitive rates to attract tenants which has come at the expense of lower-end office buildings, which are struggling to win interest.



## CHAPTER 6

# One to watch: PropTech

2023 is set to see greater adoption of PropTech, which is at the forefront of real estate innovation, utilising artificial intelligence, the internet of things, virtual reality, digital twins, and data analytics to make smarter, data-driven decisions about real estate, and improve efficiency and sustainability in the built environment.

In its efforts to grow and support its real estate sector, Bahrain has been at the cutting edge of property innovation, using PropTech to transform its local market. Indeed, Bahrain's National Real Estate Plan 2021–2024 was devised precisely to nurture real estate companies willing to innovate with technology such as PropTech.

It aims to form an integrated ecosystem of regulatory bodies, developers, international companies, and smart new local real estate firms to promote and expand the use of PropTech and other major new technologies.

In addition, the Bahrain Institute of Banking and Finance (BIBF) and the Real Estate Regulatory Authority (RERA) recently announced their intention to establish the Real Estate Training Academy to provide training programmes and introduce professional qualifications in a number of real estate fields, among them PropTech and digital transformation.

The Bahraini government is embracing disruption and innovation. PropTech can be an extremely valuable tool in the national effort to diversify the economy by promoting sectors such as real estate. Bahrain is among the countries leading the way in the integration of smart, innovative technologies in property development and real estate. It's an example worth following.

## CHAPTER 7

# Conclusion

Bahrain's real estate market has shown remarkable resilience in the face of the pandemic, and it continues to make a steady recovery. Recent legislative improvements have led to faster and more accessible property investment, boosting consumer and business confidence in the market. The upcoming adoption of the Golden Visa and strengthened legislation governing property disputes are expected to attract more foreign investors to the market.

Despite global economic uncertainty affecting international investment, Bahrain's real estate market remains stable and offers guaranteed returns. While the market may feel some effects, the foundations for sustained growth are firmly in place. Higher oil prices and several major construction projects in the pipeline ensure a positive long-term outlook for Bahrain's economy, and successful efforts to diversify the economy will further enhance the positive forecast. Real estate is poised to play a major role in the country's growth and development.

