

Bahrain Real Estate Market Review



Autumn 2023

**A biannual review of key trends and the performance of
Bahrain's real estate market**

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Residential Market

Despite global economic uncertainties and a rise in interest rates, Bahrain’s real estate market continues to display moderate performance. The first nine months of 2023 witnessed a notable 5.1% increase in the number of real estate transactions, with a slight uptick of 1.9% in the overall value of transactions during the same period to BD 814 million.

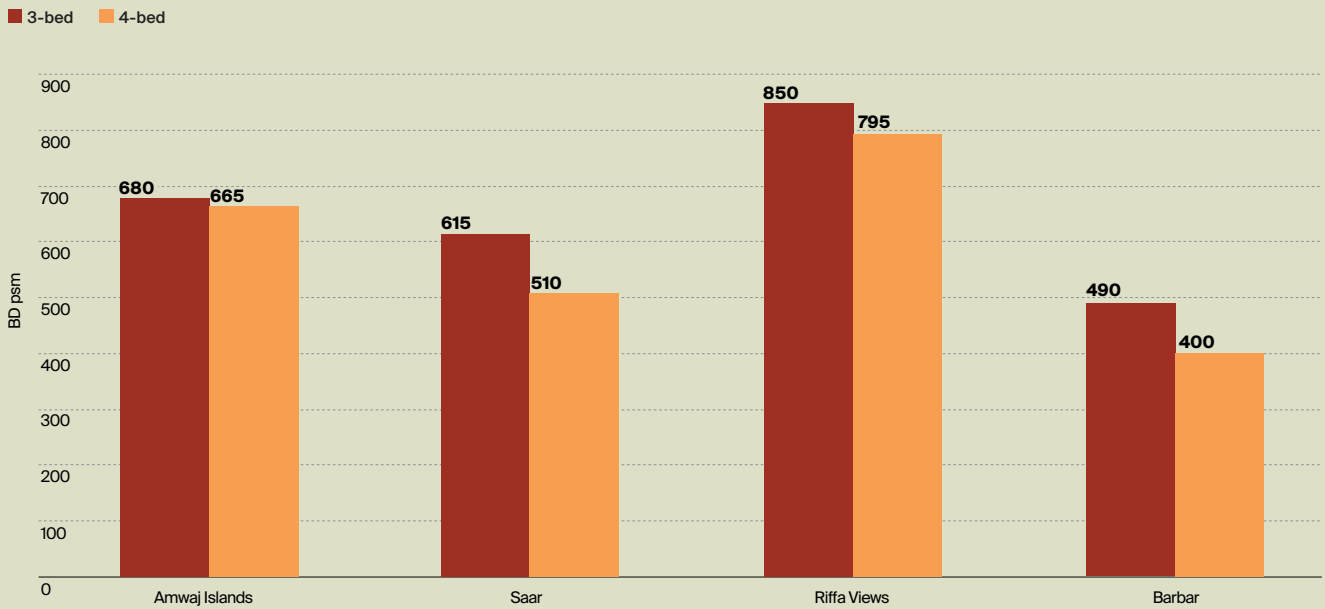
The higher growth in transaction volumes relative to transaction values highlights the ongoing decline in prices. Villa developments have sustained their popularity, with average sales prices in the mid-end segments remaining constant over the past 12 months at BD 625 psm.

However, the increased cost of credit has impacted the demand for premium developments, particularly apartments, more than villas. As a result, apartment prices declined by 2% to BD 665 psm over the same period.

Regarding property prices, Bahrain stands out as a relatively affordable option compared to other Gulf countries. The government has undertaken various initiatives to foster foreign investment, such as permitting foreigners to own property in designated areas and providing tax incentives. These measures serve to stimulate demand within the sector.



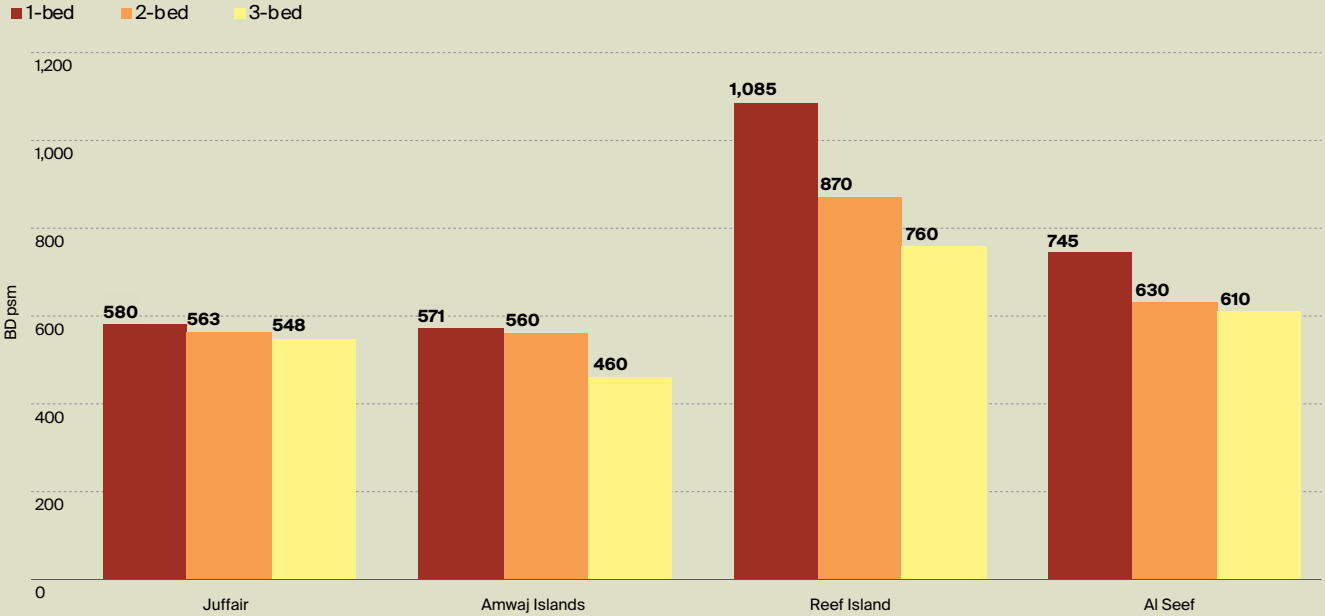
Average Villa Sales Prices



- The average prices for villas remained stable on yearly basis at BD 625 psm.

Source: Knight Frank

Average Apartment Sales Prices



- The average prices for apartments declined by 2% year-on-year, to BD 665 psm.

Source: Knight Frank

Residential Market

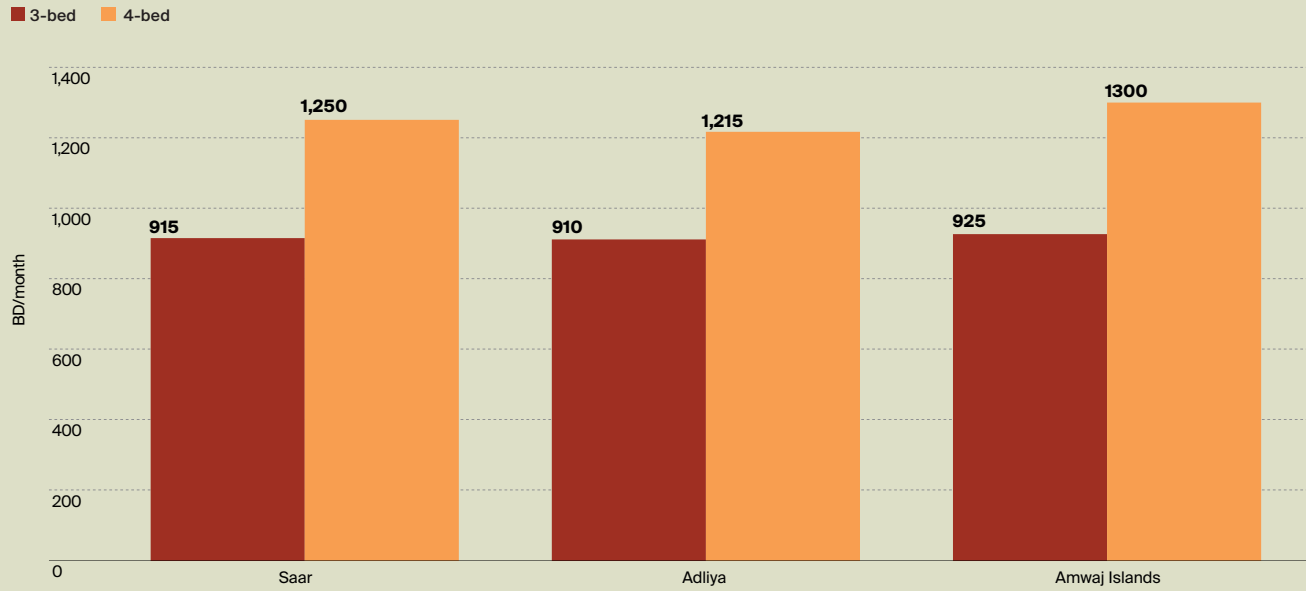
Expatriates comprise a substantial portion of the population (estimated at 52.6% of the total population by 2022) and hold a commanding presence in Bahrain’s rental market. As a result, there is almost always a pronounced level of demand for rental properties, notably in sought-after expat-friendly locales like Juffair, Amwaj Islands, and Al Seef. Additionally, a well-entrenched trend towards luxury and serviced apartments persists, particularly among expatriates seeking upscale amenities and convenience.

That said, there has also been sustained and robust demand for low-end and mid-end villas in the rental market.

The performance of the rental market in Bahrain has remained subdued over the last 12-months, with both villas and apartments continuing to face downward pressure as the sector battles with an apparent supply-demand imbalance. Average villa rents decreased marginally by 1% in Q3 across the major neighbourhoods, while average apartment rents fell by 2.2% over the same period. However, newly delivered quality assets are achieving higher rates in the likes of Diyar Al Muharraq, Dilmunia and Riffa.



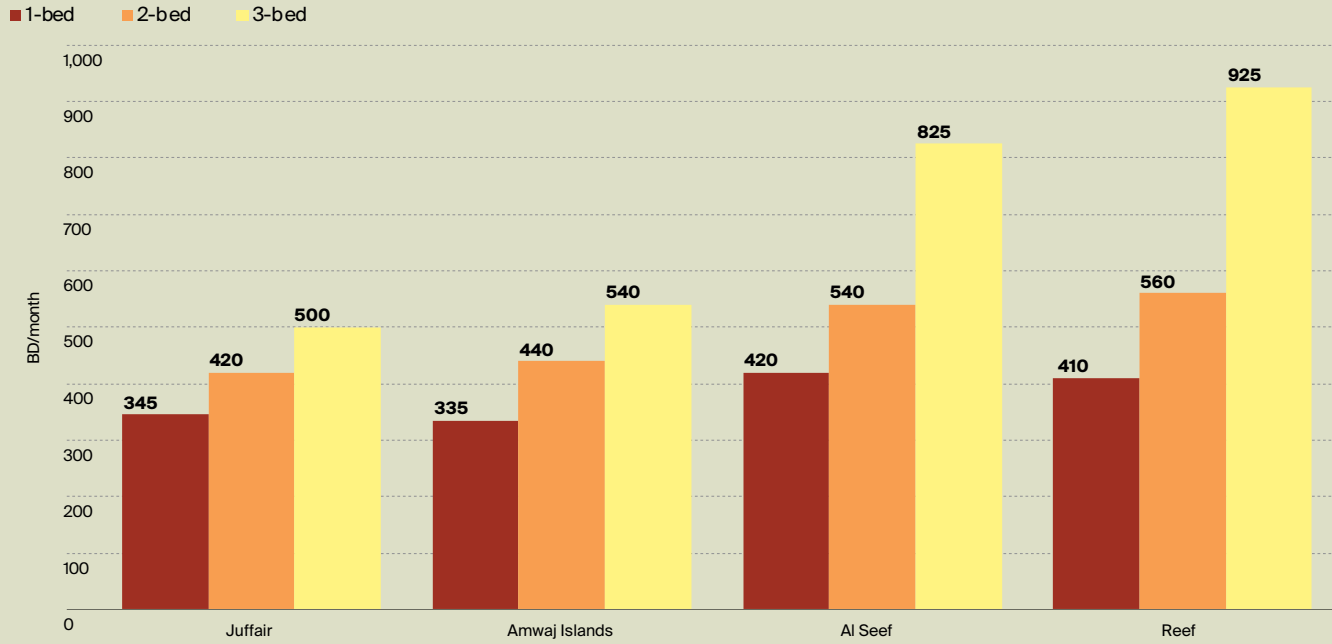
Average Villa Lease Rates



- Over the last 12 months, average villa rents fell by 1% and stand at BD 1,085 per month.

Source: Knight Frank

Average Apartment Lease Rates



- Average apartment rents declined by 2.2% over the last 12 months, reaching BD 525 per month.

Source: Knight Frank

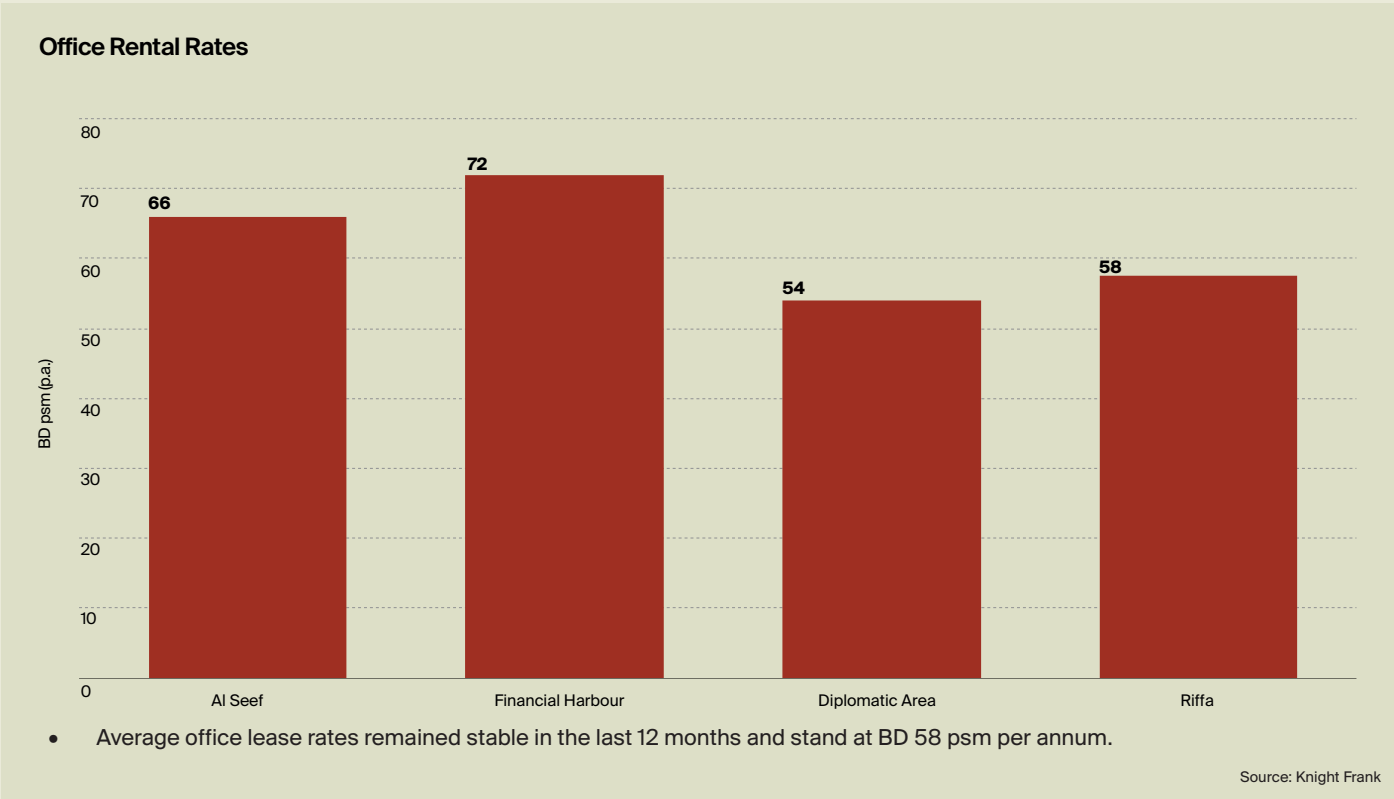
Commercial Market

Office Market

Bahrain’s GDP growth for 2023 is forecast at 2.7%, surpassing its earlier projection of 2.1%. The IMF’s July 2023 World Economic Outlook underscores a rising confidence in economic resilience, even amid elevated interest rates. Furthermore, government policy changes, notably the introduction of the Golden Licence Scheme, which benefits foreign and local businesses, are likely to boost business activity, foster job creation, attract foreign direct investment, and contribute to increased demand and rental rates in the office market.

Due to the sustained movement of corporate occupants to high-quality Grade A developments, the demand for office space in upscale buildings has remained strong throughout the past 12 months. Despite this trend, rental values have remained stable at BD 58 psm in Q3 2023.

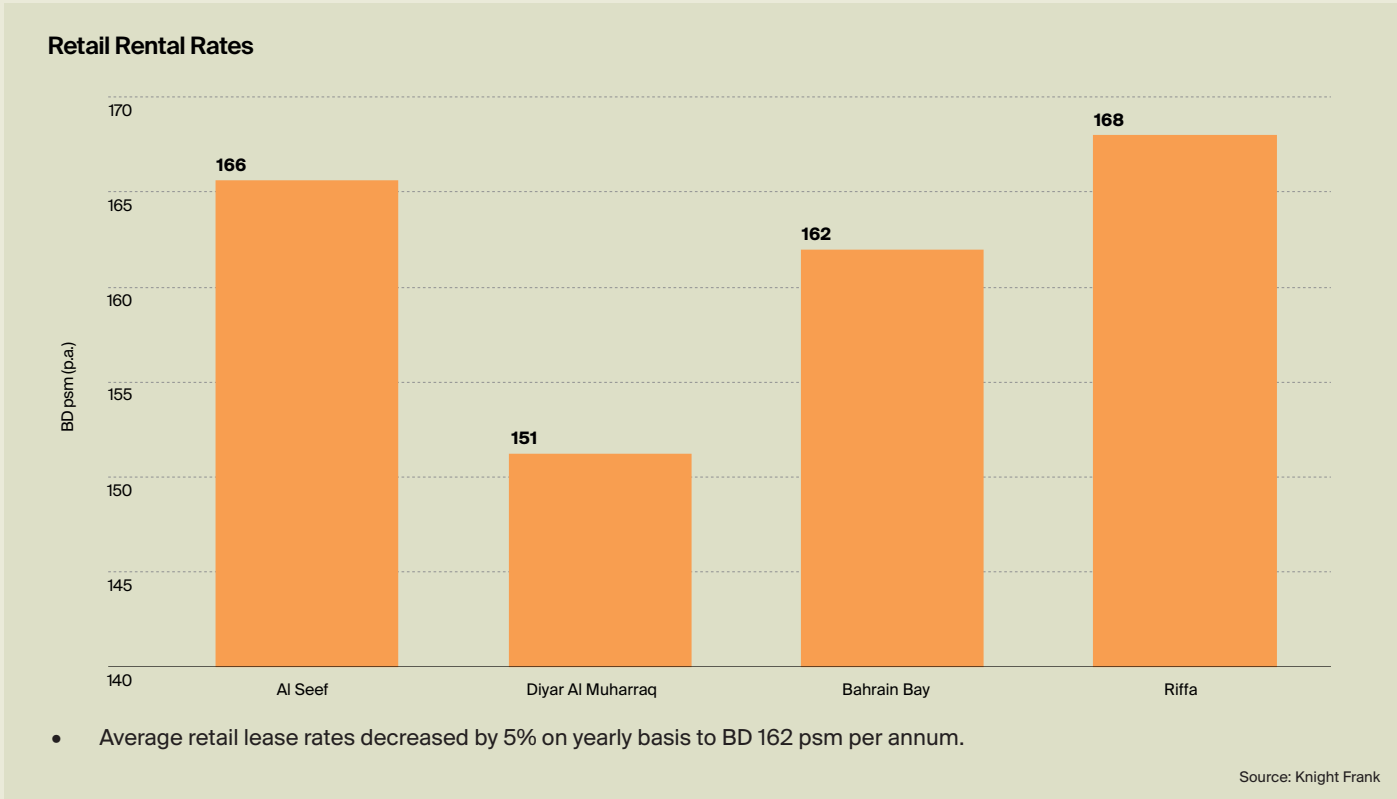
Bahrain is actively advancing economic diversification through innovation and multi-sector development. Investment in infrastructure and job creation are driving economic activity. Investor incentives, including priority land allocation, streamlined business licensing, and expedited building permit approvals, are set to stimulate the economy and will likely benefit the office market in the medium to long-term.



Retail Market

The retail sector’s performance has remained subdued in the last 12 months. Average lease rates across all retail categories saw a 5% decline. This decline is primarily attributed to an excess of retail inventory in Bahrain. Despite the prevailing mismatch between the offered retail types and the residual demand, development activities persist across various market segments, including super-regional, regional, community, and neighbourhood retail. This additional pipeline supply is anticipated to dilute the market further, placing extra downward pressure on achievable rents.

Like elsewhere in the world, the pandemic has driven a permanent shift to online retailing. In response to consumers changing habits, the retail industry is constantly evolving to meet the demands of consumers who are looking for more than just a place to shop by creating shopping destinations that are centred on experiences. This shift in consumer behaviour has led to a rise in demand for destination retail and mixed-use developments that incorporate the public realm, F&B, and entertainment; however, there is a very real risk of an oversupply in this segment of the real estate market.



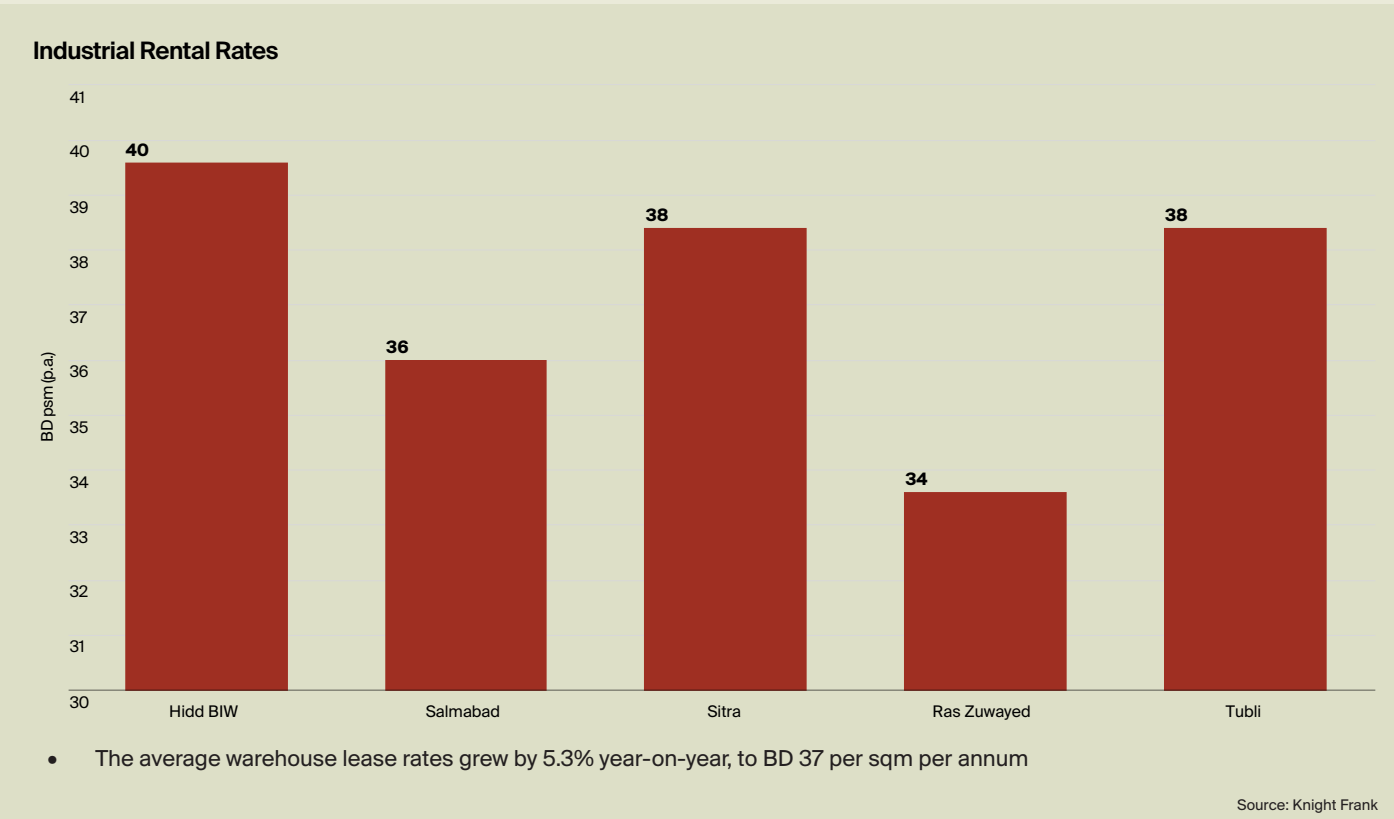
Commercial Market

Industrial Market

Warehouse lease rates grew by 5.3% over the last 12-months, underpinned by a demand-supply imbalance. The average lease rate for warehouses now stands at BD 37 psm per annum.

Demand has been supported by the industries that are still reassessing and adjusting their supply chain strategies to bolster resilience and reduce disruption in the wake of the pandemic. In response to this, the Bahraini government has implemented several initiatives aimed at promoting the industrial sector, attracting investment and fostering innovation.

One notable measure involves the creation of special economic zones designed to lure industrial investment. These zones commonly provide incentives such as tax breaks and streamlined regulations, incentivising businesses to establish their operations.



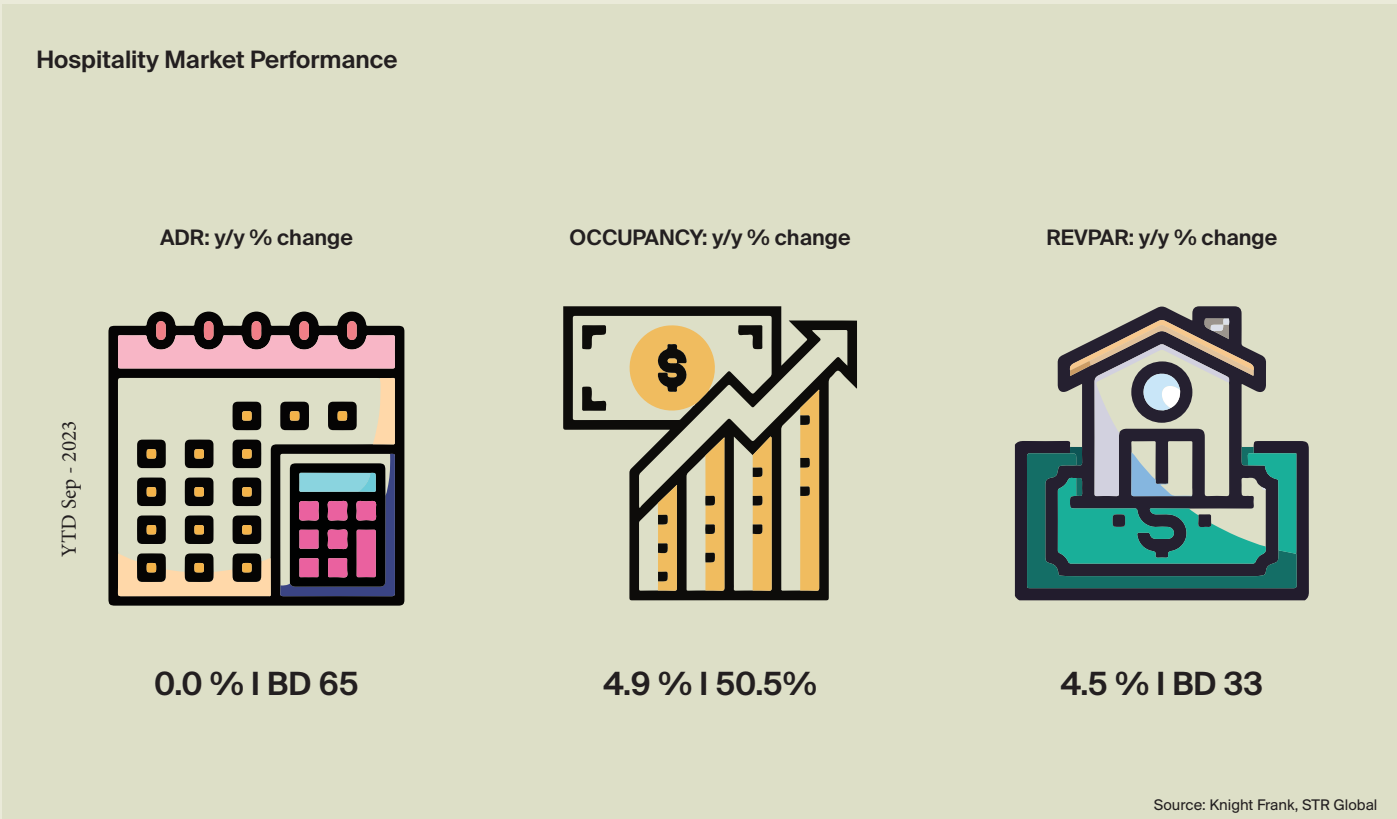
Hospitality Market

In pursuit of economic diversification, Bahrain initiated a comprehensive plan in 2021, unveiling a five-year tourism strategy in 2022. The ambitious objective is to welcome 14.1 million visitors annually by 2026, aiming to elevate the tourism sector’s contribution to the country’s GDP to 11.4 percent by the same year. In 2022, Bahrain attracted 9.9 million visitors, according to Bahrain’s National Portal.

The recent initiative between Saudi Arabia and Bahrain to promote the two countries as one regional and global tourist destination has established a framework to collaborate to market tourism programs and activities in both countries.

Furthermore, the recently announced GCC-wide tourist visa, similar to the EU’s Schengen scheme, is expected to be a game changer for tourism in the region, once the new system is activated in 2024.

In addition, the revenue projections in the travel and tourism market reflect a positive outlook. It is expected to reach US\$140 million in 2023. The sector is expected to exhibit an annual growth rate (CAGR 2023–2027) of 6.3%. These figures underscore Bahrain’s rising prominence as a dynamic player in the regional tourism landscape.



We like questions. If you've got one about our research, or would like some property advice, we would love to hear from you.

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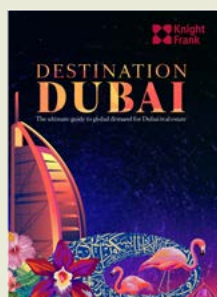
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