

MARKET HIGHLIGHTS

- Bahrain's economy exhibited resilience and growth over the last few months, and GDP is now estimated to have grown by 5.7% y-o-y in Q2 2021.
- In an effort to balance the country's fiscal deficit by 2024, the Government has submitted a draft bill to the parliament for approval to amend value-added Tax in the country, starting from January 2022 onwards. In a positive development, the Government deficit has reduced by 35% y-o-y to reach BHD 520 million in H1 2021.
- The digitalisation of the economy continues to gather momentum as the number of cashless POS sales and e-commerce transactions increased by 65% y-o-y in August.
- Exports from the country have also recorded stellar growth in August to reach BHD 386 million (USD 1 Bn), a 103% y-o-y growth. On the other hand, despite the pandemic and subdued global economic sentiments, the total foreign direct investments into the country reached USD 31.7 bn in 2020.

RESIDENTIAL

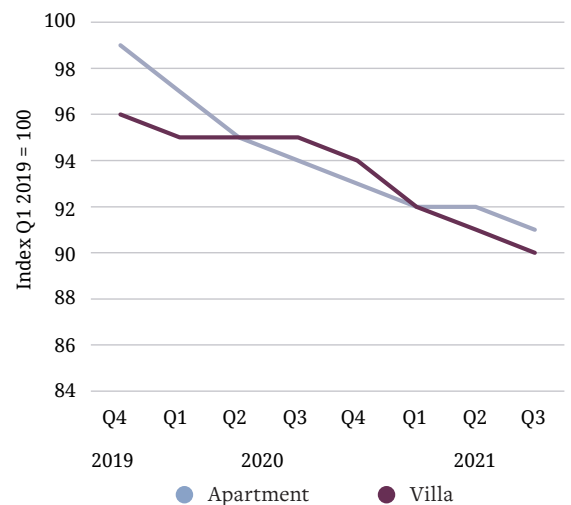
Capital Values

The supply of residential apartments continued in Q3 2021 as 210 new units were introduced to the market across two projects, Address Residence and Marassi Vista, which are part of the Marassi Al Bahrain project by Eagle Hills. Despite the increase in supply, capital values across the apartment segment have remained

largely stable during the current review period. The low and mid-end segment of the market has been far more resilient than the high-end segment. Average capital values have remained stable across these two categories while they have dropped by an average of 1.4% q-o-q across the high-end segment.

However, capital value sentiments across the villa market have remained subdued. Prices across the villa segment have dropped by an average of 1.7% and 2% across the mid and high-end sub-markets, respectively, compared to the previous quarter. The increased supply largely drives this, particularly in the Northern Governorate, in addition to buyers being more cautious of their expenditure.

Residential Sales Indices

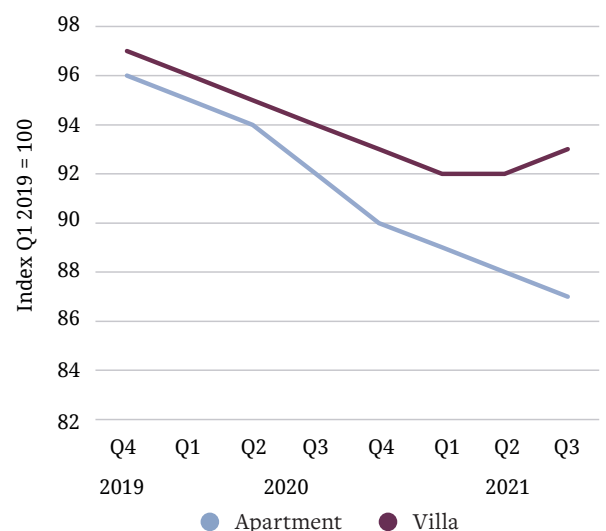


Rental Values

The third quarter usually experiences an uptick in demand due to an influx of residents, increasing rental values. Encouragingly, despite the economic hardships, this has continued during the current review period, with strong demand in the high-end villa rental market leading to an average 2% q-o-q increase in rents. The low and mid-end villa sub-markets remained stable with no price movement over the past quarter. We have also witnessed several landlords who were previously hesitant to negotiate and adjust their rental expectations to the market condition have aligned their quoted rents to the current market dynamics.

This has resulted in some large compounds reaching near-full occupancy. A drop in capital values and a simultaneous increase in quoted rents has led to a marginal improvement in overall investment returns. Contrary to the rental trends observed in the villa segment, rentals for apartments have witnessed a drop compared to the previous quarter. The low and high-end apartment rental market experienced a q-o-q price contraction of -2.1% and -1.3%, respectively. However, the mid-market apartments fared better with price growth of 0.6% for the same period. We note older buildings in Saar and Janabiyah are struggling to lease apartments as they are competing with new supply with better facilities.

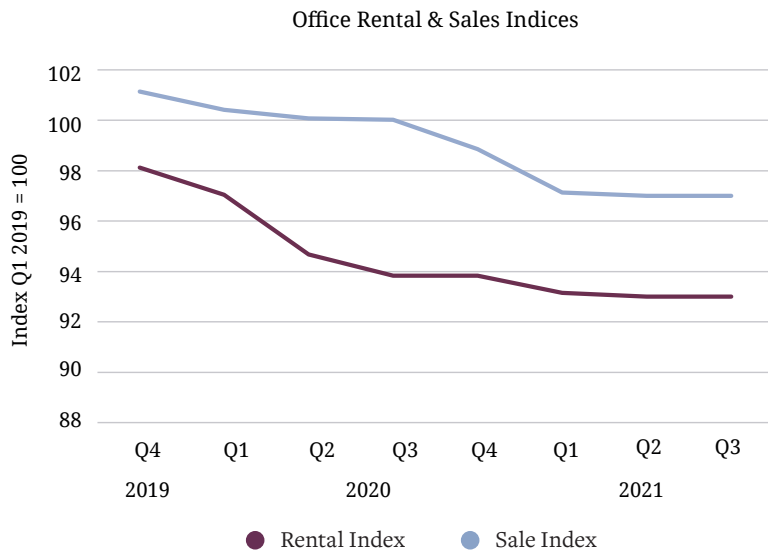
Residential Rental Indices



COMMERCIAL

While capital values across the office segment have been stable for the third consecutive quarter, values across the low-end segment are still down by -7.2% y-o-y, and values across the high-end properties are on an average down by -1.7% y-o-y.

On the other hand, the rental market has witnessed increased tenant churn over the past quarter, resulting in a decline of 5.5% in the mid-market category. The low-end market saw its first increase in four quarters with q-o-q price growth of 1%. This is likely attributed to occupiers seeking more affordable options as businesses reassess their expenses in the current landscape. In contrast, the high-end market observed the fourth quarter of no price change.



SAVILLS TEAM

HASHIM KADHEM

Head of Professional Services
Bahrain

hashim.kadhem@savills.me
+973 3217 7033

MINAL MEHTA

Associate, Professional Services
Bahrain

minal.mehta@savills.me
+973 3361 2333

SWAPNIL PILLAI

Associate Director
Research, Middle East

swapnil.pillai@savills.me
+971 4 365 7700



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