

## MARKET HIGHLIGHTS

### ECONOMIC GROWTH AND FISCAL BALANCE PLAN

In October 2021, the Government of Bahrain announced a new national economic growth and fiscal balance plan. The multi-year, five-pillar plan is one of the largest economic reform programmes for the Kingdom and aims to improve Bahrain's long-term competitiveness. Key features of the plan:

**National Labour Market Strategy:** The programme aims to create 20,000 jobs for Bahraini nationals and provide training to 10,000 nationals annually until 2024. It is part of the new Tamkeen Strategy (Bahrain's public authority that supports the private sector's development) to continue upskilling the Bahraini workforce.

**Regulatory Reform:** A reform of existing business operating procedures has been proposed. The package aims to simplify the process of business licence approvals, the launch of a new Government Land Bank, developing and launching an online portal to showcase investment opportunities and an additional online portal to digitise and simplify urban planning-related services. A new residency permit programme will also be introduced to attract talent and investors as part of the reform. Collectively, the package aims to support USD 2.5 billion of Foreign Direct Investment (FDI) by 2023.

**Priority Sectors Plan:** Six new sector strategies will be implemented across oil and gas, tourism, logistics, financial services, telecommunications, IT/digital economy, and manufacturing. The new sector strategies aim to support annual growth of 5% in the non-oil sector by 2022.

**Strategic Projects Plan:** Under this plan, the Government aims to catalyse and direct over USD 30 billion worth of investments into strategic projects and create new industrial investment areas across the Kingdom.

**Fiscal Balance Programme:** The Government has proposed eight new fiscal reforms with the overarching objective of reducing expenditure incurred and streamlining processes. The programme seeks to balance Bahrain's budget by 2024, compared to the pre-COVID-19 target of 2022.

- Reforms aimed at reducing recurrent non-manpower expenditure
- Reducing project spend
- Streamlining the distribution of cash subsidies to citizens
- Increasing Government-owned entities' annual contributions
- Adjusting commodity prices and prices of services provided to companies
- Reducing manpower expenditure
- Introducing new Government services revenue initiatives
- Increasing the VAT rate from the 5% to 10%

### BAHRAIN GOLDEN VISA

Another significant announcement was the introduction of the Golden Residency Visa for residents and non-residents to attract the best talent and investors to the Kingdom. The visa provides the holder long-term residency and the right to work in Bahrain, unlimited entry and exits and the option to renew the visa indefinitely, provided certain criteria are met.

To qualify for the Golden Visa, existing residents must have resided in Bahrain continuously for at least five years and earned an average basic monthly salary of a minimum of BHD 2,000 (USD 5,305) throughout the period. Additionally, applicants who own one or more properties in Bahrain valued at no less than BHD 200,000 (USD 530,000), retirees with a minimum monthly income of BHD 4,000 and highly talented individuals will also qualify for the visa. To maintain the validity of the visa, the holders must reside in Bahrain for at least 90 days in a year.

Bahrain follows its Gulf neighbours UAE and Saudi Arabia in introducing permanent residency visas to ramp up economic growth through fresh talent and investments, and enhance its regional competitiveness.

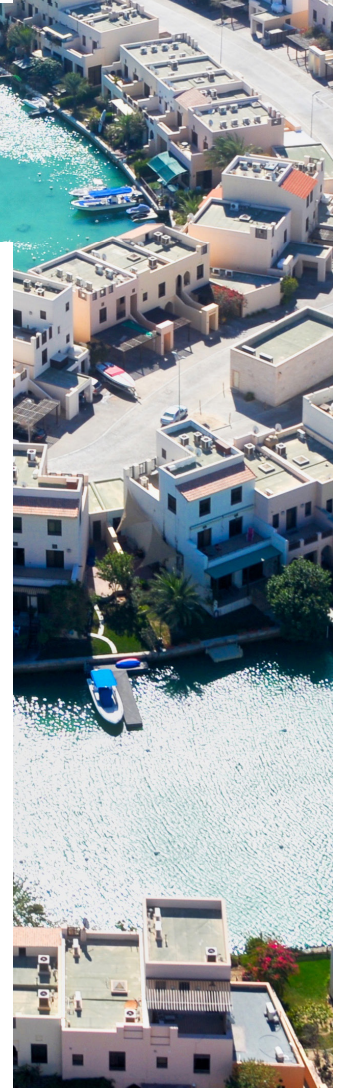
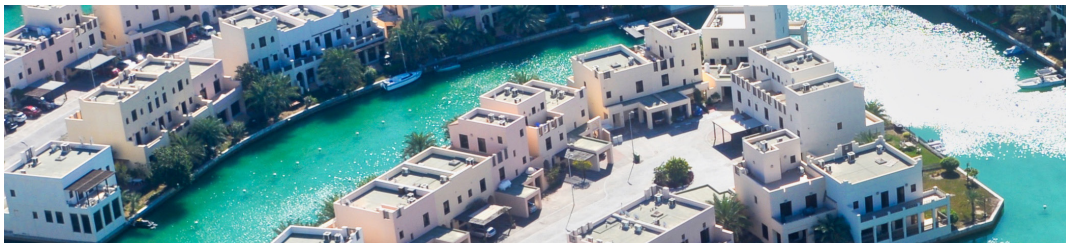
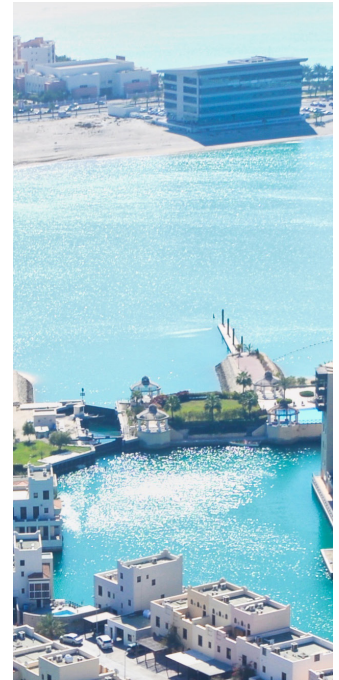
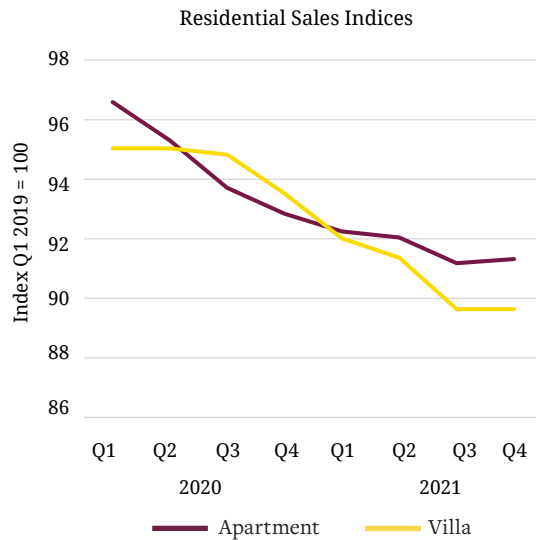
### REAL ESTATE

The value of real estate transactions in Bahrain reached BHD 1 billion in 2021, growing by an impressive 46% y-o-y, according to data from The Survey and Land Registration Bureau (SLRB) and the Real Estate Regulatory Authority (RERA). To maintain this strong growth momentum, the government revealed a four-year National Real Estate Plan 2021-2024 in March 2021 to create a coherent, secure, transparent and sustainable real estate sector. The vision is to promote investments into the sector, develop innovative real estate enterprises, and preserve all the stakeholders' rights. This led to an overall positive sentiment in the market throughout H2 2021 and into the new year.

## RESIDENTIAL

### Capital Values

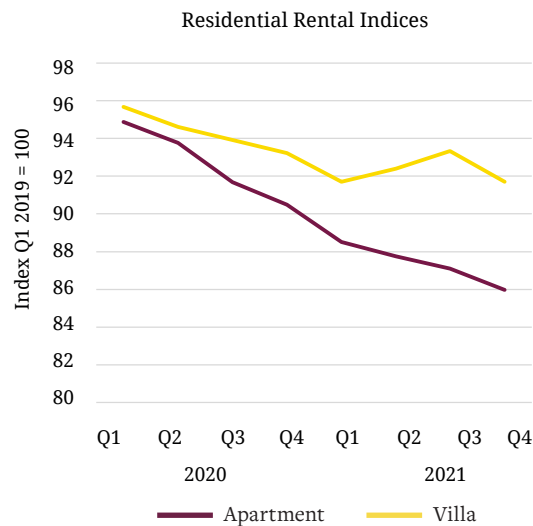
The overall increase in transaction values in Bahrain and general optimism in local and global market sentiment across the residential sector is likely to positively impact asset pricing in the medium-term. Offshoots of a gradual recovery in the market were already visible as the Q4 2021 Savills residential capital value index remained stable. This is the second consecutive quarter where prices across the residential sector remained unchanged. However, on an annual comparison, prices remain on average, 1.6% and 4.2% lower across apartments and villas, respectively, compared to Q4 2020, creating room for increased investments.



### Rental Values

The rental index for Q4 2021 remained stable on a quarterly basis; however, similar to capital values, on an annual comparison, rental values across apartments were 5% more affordable. The decline in prices was more prominent across the mid-end (3.5% y-o-y) and high-end (1.4% y-o-y) segment, whilst they remained stable across the low-end segment, indicating that this sub-market is potentially bottoming out.

Across villa developments, annual rental value correction was marginal, with an average y-o-y decline of 1.6%. The price correction was only observed for mid-end and high-end properties, whilst the low-end villa market experienced a y-o-y average price increase of 1.9%. The average low-end villa rental prices now compete with mid-end apartment prices.



Going forward, we anticipate the high-end sale market will continue to witness delays in absorption with developers unwilling to revise their pricing strategies. However, they are still offering extensive incentives, including furnishing options, extended payment plans and low down-payments. A majority of the developers have also partnered with banks to offer attractive mortgage products.

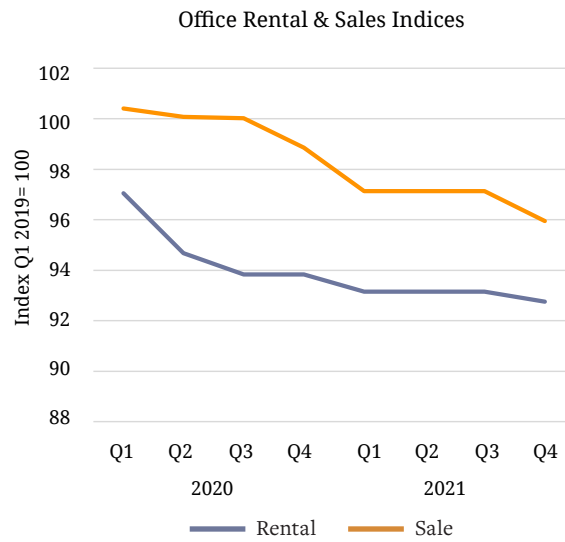
There has been heightened interest in small plot standalone villas, which has led to an increase in development activity by relatively smaller contractors. These companies are building standalone villas on land plots admeasuring 350 sqm and below in residential areas such as Demistan, Sanad and Saar.

## COMMERCIAL

The uncertainty in the office sector in Bahrain was reflected by an average y-o-y drop in office sales prices of nearly 3%. With the increased supply and demand disconnect, the low-end office sub-market witnessed the highest y-o-y decrease of 7.6%. For the same period, there was no movement in the mid-end market but there was a slight decrease in the high-end market of 1.7%.

In the rental market, mid-end offices experienced an average y-o-y decrease of 13.3% due to the dual effects of tenants who either sought cheaper, low-end alternatives, or relocated to higher-end office developments that offered competitive rates. Both the low and high-end sub-market experienced marginal declines of 1% y-o-y.

Going forward, on the expectation that more staff return to the office regularly, a deeper analysis of required space will occur. International tenants are likely to adopt hybrid working practices, leading to downsizing of existing spaces and take-up of smaller spaces. There will be an increased focus on the repurposing of older stock that does not meet the Environmental Social and Governance (ESG) requirements of tenants. As a result, office developments offering collaborative spaces, good ventilation systems and ancillary amenities, and above-the-standard parking requirements will be in demand.



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