



## Falling rents and improved facilities are a boon for Bahraini tenants.

According to international real estate consultancy Cluttons, the Bahrain real estate industry is under increased pressure due to deteriorating economic conditions, a slowing in oil and gas production, and a rise in real estate supply. As a result, the industry is characterized by increased rewards, adjustments, and service quality from landlords and developers as they compete for market share. [في اللؤلؤة بالتقسيت](#)

A positive outcome of these factors, according to Cluttons Bahrain Spring 2017 Property Market Outlook, is a 'Golden Era' for occupiers in Bahrain, with historically low prices, a large range of exceptionally well-managed facilities, and a developer strategy that is inherently based on market-suitable properties.

According to Cluttons, after a largely flat 2016, the relative stability of residential rents across the Kingdom's main expat-dominated submarkets appears to have ended. Rents declined across the board in the three months leading up to the end of March, signaling a change in the market. This equates to a monthly drop of around BD 80 in real terms. The rate of rent corrections in apartments (-8.3%) was higher than in villas (-6.9 percent ). However, in the first quarter of this year, both segments of the residential rental sector witnessed the highest rate of decline since 2009.

Cluttons' Head of Research, Faisal Durrani, said, "The current correction in the rental sector in Bahrain is not solely due to weaker economic conditions. The number of new residential projects being sold in the market has increased dramatically, with the majority of them being purchased by Bahraini or other Gulf investors. A large portion of this inventory is finding its way into the rental market, driving supply ahead of demand—albeit with considerable upside for tenants and occupiers."

The magnitude of this burgeoning supply boom is reflected in the fact that over 4,100 units are scheduled for completion in the upper end of the sector within the next two years, according to Cluttons Bahrain Outlook. About 7,100 new residential units are planned to be added to the current supply by 2020. The effect of the sudden increase in supply on sales prices has yet to materialize, with residential values staying steady and unchanged for six consecutive quarters. The average residential capital value at the end of Q1 2017 was BD 948 per square meter, with apartments on Reef Island (BD 1,233 per square meter) and villas on the Amwaj Islands (BD 1,275 per square meter) remaining the most expensive in the Kingdom.

Cluttons Bahrain & Saudi Arabia Head Harry Goodson-Wickes said, "A lack of easy access to debt financing can stifle buyers' desire to buy. Surprisingly, large amounts of unsold stock add to capital value volatility. For the time being, developers who are pushing attractive payment arrangements are in charge of managing supply. Those developers who have maintained their success in these challenging market conditions have concentrated on stock that meets unique market needs and have a proven track record of growth in the Kingdom and across the Gulf." A correction in residential values is highly likely, according to Cluttons Bahrain's Spring 2017 Property Market Outlook, particularly if the sales supply pipeline continues to grow at current rates.

Finally, Goodson-Wickes says, "We expect rents to continue to fall in the rental sector, with average rental rates likely to end the year 10 percent to 12 percent lower than in 2016, as economic pressures persist in Bahrain and across the country. However, if government infrastructure spending drives up overall economic activity levels in the way we expect, we are hopeful that 2018 will see a return to stability."