



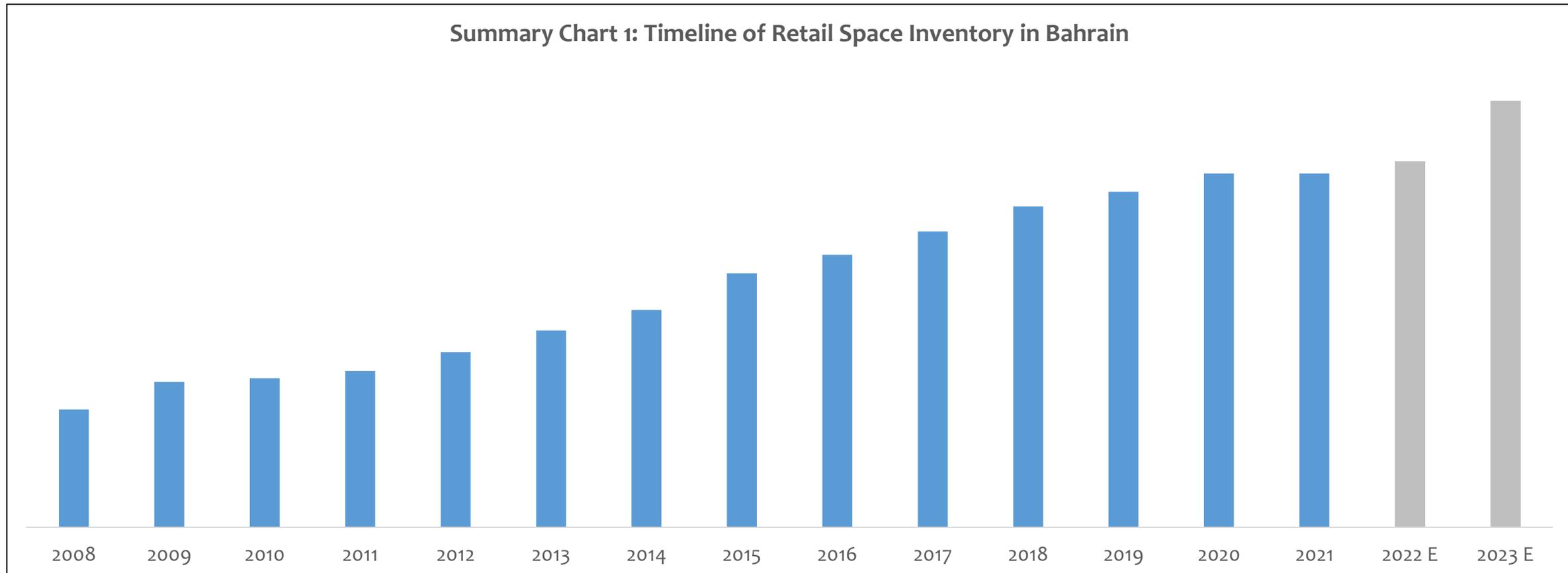
Market Research Report on Retail Space Sector in Bahrain



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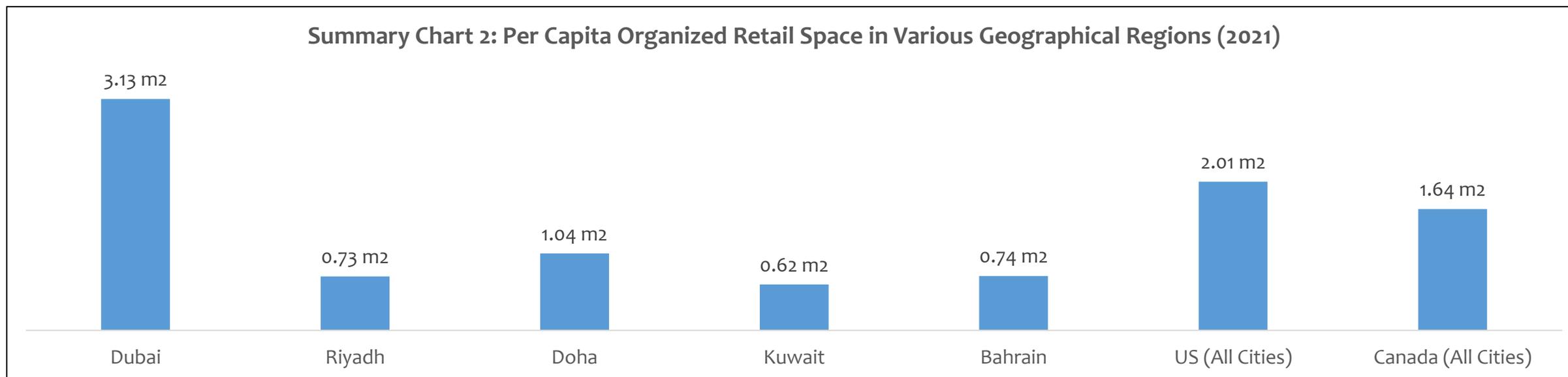
The retail space inventory in Bahrain grew significantly over the last 10 - 12 years:

- Summary Chart 1 shows the timeline of the retail space inventory in Bahrain. It covers all the properties that are classified as retail malls, retail plazas and retail clusters. For definitions of these terms and covered properties, please refer to the Appendix of this report.
- The retail space inventory grew by a cumulative 200% between 2008 and 2021.



It is not easy to establish what is a sustainable level of retail space in any city / country but there are some benchmarks available:

- In Summary Chart 2 we have shown comparable per capita figures for various GCC cities. Also shown are the comparison from the US (all cities) and Canada.
- Dubai leads the pack with 3.13 m² of retail space per capita (it has declined since 2019 due to a few malls closing down). It is the highest retail space for any city in the world. The US currently has 2.01 m² per capita (reduced since 2019) and Canada has 1.63 m² per capita.
- » In the GCC, Doha has 1.04 m² per capita, Riyadh has 0.73 m² and Kuwait has 0.62 m² (the lowest in the GCC region). While there is no scientific method to prove an optimum level of retail space per capita, many research papers show that retail space @ 1.0 m² to 1.5 m² per capita is considered optimum for most markets. On this measure, Bahrain classifies as a market with shortage of retail space.
- » However, the market conditions do not support this data. There were enough anecdotal evidences even in 2019 about developing stress in the Bahraini retail space market. The pandemic has made the situation worse. Many retail malls are struggling badly and many of them are not operating at full capacity.
- » F&B as a segment struggling now due to the shops remaining closed during the pandemic. There are ample market signs that several F&B outlets have been closed down and many restaurants are put on sale.
- » Therefore, the slowdown in retail sector is taking place over the last 2 – 3 years even though the overall market inventory is not yet in the “oversupply” zone.



Net 93,185 m2 Retail Space Got Vacant in the Pandemic so far; Economic Conditions Difficult

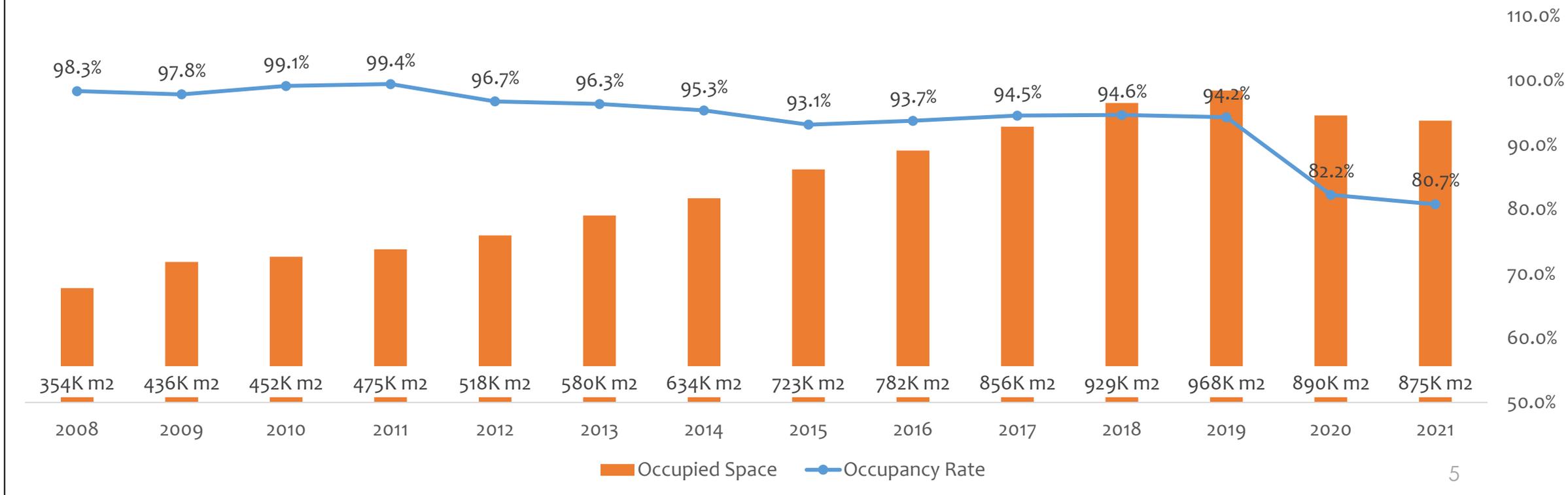
We have shown the market occupancy trend:

- As is clearly visible in Summary Chart 3, the occupancy rate dropped sharply in the pandemic years of 2020 and 2021. Summary Table 1 shows that the occupied space declined from 967,728 m2 in 2019 to 874,543 m2 in 2021.
- This is net loss of 93,185 m2 of retail space. We fear that the decline cycle is not yet over because the economic conditions are still very difficult.

Summary Table 1: Impact of Pandemic on Retail Space Absorption

	2008	2019	2021
Retail Space Inventory	360,574 m2	1,026,940 m2	1,083,225 m2
Occupancy Rate	98.3%	94.2%	80.7%
Occupied Space	354,444 m2	967,728 m2	874,543 m2

Summary Chart 3: Year-Wise Trends in Occupancy Rate and Occupied Retail Space in Bahrain



With the combined effect of pandemic and inventory expansion, the occupancy rate may witness substantial decline over the next two years:

- Summary Table 2 shows the expected retail space inventory level for the year 2022 and 2023.
- In the year 2022 two properties will be added to the overall inventory – Kingdom Mall and Oasis Mall Muharraq (it was closed in 2020 and likely resume operations in 2022 with new tenant mix).
- In 2023 Marassi Mall (along with Canal View) will open; with its promoters having strong relationships with retailers from UAE, they will likely bring is reasonable occupancy.
- Factoring these, we project that the occupancy might inch up marginally in 2022 but decline sharply in 2023. Marassi Mall will become the largest mall in Bahrain but will have low occupancy in the beginning.
- We have shown in this research that the expat population has declined in the pandemic and this trend is likely to continue till the year 2023.
- The Government is yet to find its focus on economic recovery; particularly new job creation. Any strategies adopted will have long gestation period and it might be few years before we see demand picking up.
- Factoring these, we project that the occupancy might inch up marginally in 2022 but decline sharply in 2023. The lease rates will remain under pressure for the foreseeable future.

Summary Table 2: Occupancy Rate Estimates for the Year 2020 and 2021

	2021	2022 E	2023 E
Retail Space Inventory	1,083,225 m2	1,120,533 m2	1,305,408 m2
Occupied Space	874,543 m2	909,543 m2	984,543 m2
Occupancy Rate	80.7%	81.2%	75.4%

Note:

- Kingdom Mall and Oasis Center Muharraq are likely to open in 2022. Both these properties will have majority area occupied by their anchor stores.
- In 2023, Marassi Mall is likely to start operations. With the strong relationships of retailers from UAE, the mall is likely to have reasonable area occupied from the beginning.

Seef Properties is a prominent real estate development company in Bahrain with management of Seef Mall, Seef Muharraq, Seef Isa Town and several other commercial properties. The client engaged Estater to study the trends in the retail space sector in Bahrain in 2019. This report is the year 2021 update of the same study.

Estater International Co. WLL is a leading company that specializes in scientific analysis on real estate based on actual market data. The company operates under the brand name “REMI”. The data is collected through field surveys of nearly 20,000 properties in Bahrain and Kuwait. We note the following details for the study:

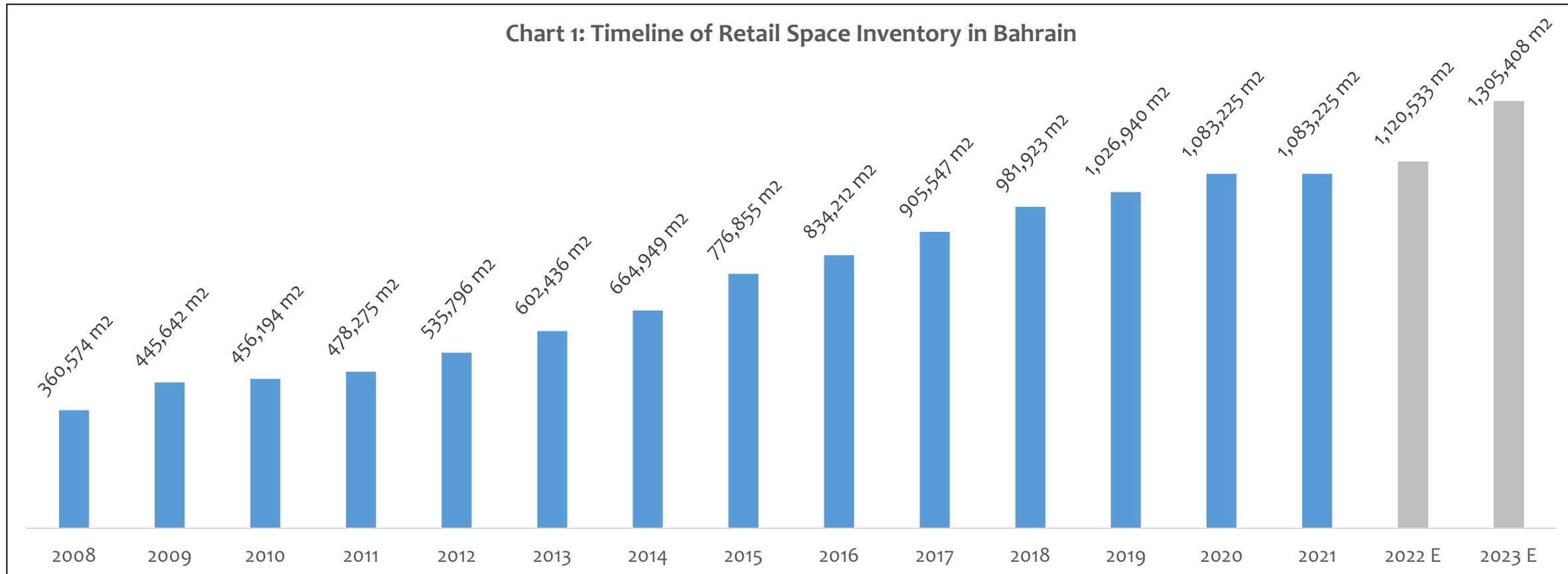
- Bahrain has 55 retail properties that are classified as either retail mall or retail plaza. While most of these are functional, some of these are under construction also. Further, there are a number of retail strips and clusters in Bahrain.
- Four out of these 55 properties are managed by Seef Properties. The remaining properties are listed in a table in the Appendix of this report and these are covered in this study.
- The study creates timeline of retail sector supply, occupancy and prices.
- Distribution of retail space supply across tenant categories such as fashion, F&B, entertainment, etc. Analysis of anchor and non anchor spaces.
- Variations in all key attributes with tenant categories, floors, units sizes and other factors.

Section 1 – Organized Retail Space Inventory in Bahrain; Timeline and Regional Comparison

Retail Space Inventory in Bahrain Grew Marginally in the Pandemic; Expected to Grow Strong Again in the Next Two Years

The retail space inventory in Bahrain grew significantly over the last 10 - 12 years:

- Chart 1 shows the timeline of the retail space inventory in Bahrain. It covers all the properties that are classified as retail malls, retail plazas and retail clusters. For definitions of these terms and covered properties, please refer to the Appendix of this report.
- From a base of just about 360,574 m² in 2008, the retail space inventory has reached around 1.1 million m² by 2021; a cumulative growth of 200% between 2008 and 2021. The total inventory is expected to cross more than 1.3 by 2023.



Retail malls account for bulk to retail space inventory in Bahrain:

- Chart 2 shows that of the total inventory, retail malls account for 76% share, retail plazas account for 16% share and the retail clusters account for the remaining 8% share.
- Table 1 shows the number of properties and units in each classification. We have compiled overall data of 416 properties.
- There are 5,220 units in these properties – most number of units are in 31 retail malls @ 3,654, followed by 713 units in 25 retail plazas and 853 units in retail clusters (made up of 359 properties).

Chart 2: Composition of Functional Retail Space Sector in Bahrain (2021)

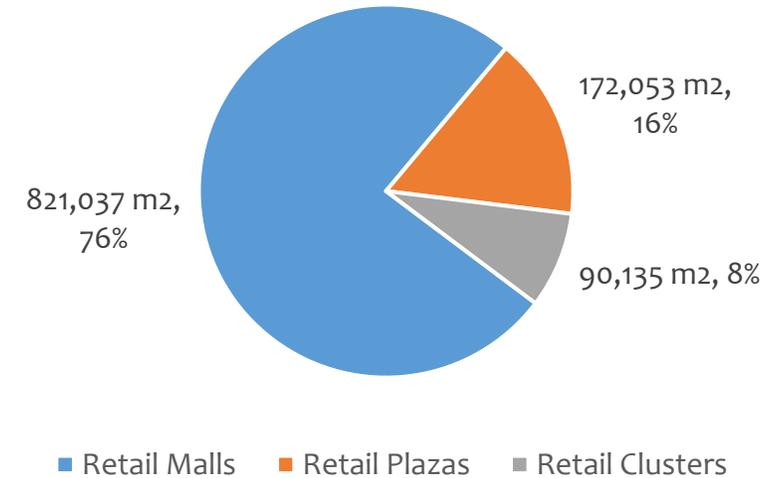


Table 1: No. of Functional Retail Properties Covered (2021)

	No. of Properties	No. of Units
Retail Malls	31	3,654
Retail Plazas	25	713
Retail Clusters	359	853
Total	416	5,220

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