

Recent Developments in Real Estate in Bahrain



Introduction

It has been a busy year for the real estate sector in the Kingdom of Bahrain as there have been numerous changes to the sector's regulatory framework, in addition to the development of new innovative technologies.

In this Article, we highlight the changes introduced by the newly established Real Estate Regulatory Authority ('RERA') and the recent innovations introduced to the real estate industry in the Kingdom.

Establishment and Aims of RERA

RERA was officially formed by the issuance of Royal Decree 69/2017. The central roles of RERA are to:

- boost the real estate industry within the Kingdom;
- educate real estate investors about their rights and protect them against fraud;
- promote the Kingdom's economic growth;
- create effective rules and regulations to regulate the real estate market in addition to facilitating real estate transactions for all stakeholders;
- promote a transparent real estate environment that positively affects real estate investment within the Kingdom and also impacts occupier decision making; and
- work to enrich the knowledge of professionals within the sector so that they can deliver an unmatched service and maintain excellent communication with all stakeholders.

The establishment of RERA aligns the Kingdom with international best practice standards and enables individuals within the real estate industry to deliver a professional service in a cost-effective and transparent manner.

RERA oversees the development of a national real estate policy supported by a five-year sector strategy. According to the CEO of RERA, Sheikh Mohammed bin Khalifa bin Abdulla Al Khalifa, RERA had initially focused on new developments and the licensing of real estate service providers. The next stages of RERA's strategy include strengthening real estate practices, driving consumer confidence in a well-functioning property market, ensuring that developments are financially viable, consumers are protected, and that enforcement processes are in place to maintain the highest standards in real estate practice.

Advantages RERA has brought to Bahrain's Real Estate Market

RERA has introduced the following changes to the Kingdom's real estate sector:

1. Licensing of real estate developments and developers

Since 31 August 2018, RERA has increased transparency within the market by requiring all brokers, sales agents and developers to hold a RERA licence. Mandating licensing of developers and developments has strengthened the regulatory framework by identifying and prohibiting unlicensed real estate enterprises. Currently, there are 14 licenced developments, 90 licenced developers within the Kingdom, and we expect to see the numbers of registered developers and developments to continue to rise.

2. Issuing market research advertising licence

To minimise the delay in the development stage of real estate projects, RERA has currently granted 30 real estate developers market research advertising licences. This licence allows developers to carry out research, advertise and test the real estate market prior to committing to a development project licence. This licence has also assisted developers in preserving the equity of the purchaser and the project as well as minimising the legal and financial risk for all parties involved.

3. RERA advances professional development programmes within Bahrain

According to Sheikh Mohammed bin Khalifa bin Abdulla Al Khalifa the launch of a continuous professional development programme ('CPD') by RERA has increased "professionalism in the sector, making sure that all practitioners have the expert knowledge, skills and competencies required to operate in the dynamic real estate sector". The 'RERA Diploma' in real estate and the 'RERA Practitioner Certificate' in real estate are two courses that have been made available via the CPD programme for real estate brokers and sales agents. To date, 100 brokers and sales agents have completed the RERA Practitioner Certificate as part of the CPD.

4. Insurance bond on escrow accounts

In collaboration with the Bahrain Insurance Association and Swiss RE, RERA has provided an insurance bond of escrow accounts for real estate projects. The bond is provided by local Bahrain insurance companies which are regulated by the Central Bank of Bahrain and members of the Bahrain Insurance Association. The bond has been fully supported by the AA rated and world's largest reinsurer, Swiss RE, thus demonstrating a strong vote of confidence in the Kingdom's real estate sector. This insurance bond has brought stronger buyer and investor protection, improved cash flow management for developers, increased the availability of finance for developers and investors. Currently, there are six licensed Bahrain Insurance Association members providing the insurance bond on escrow accounts for real estate projects.

Next steps for RERA

In order to enhance the sustainability of the Kingdom's real estate industry, RERA is also working towards regulating the real estate evaluator profession within the Kingdom. Sheikh Mohammed bin Khalifa bin Abdulla Al Khalifa has stated that RERA will ensure that the Kingdom's real estate sector aligns itself with international best practice by implementing International Valuation Standards and collaborating with world renowned organisations such as the Royal Institute of Chartered Surveyors in designing and implementing training and development programmes to further professionalise the real estate valuer sector.

Property Technology ('PropTech') in Bahrain

Due to the Kingdom's reputation as a technology hub within the region and the increased transparency and stability introduced by the establishment of RERA, the Kingdom has recently welcomed its first PropTech company.

Implications of PropTech within Bahrain

PropTech's launch in the Kingdom is representative of the growing opportunities for real estate investment within the country due to the Kingdom's low operating costs (30 percent less than other GCC markets) and the large number of mixed-use freehold developments, which offer opportunities to foreign investors.

Additionally, the launch of the first PropTech company within the Kingdom puts the Kingdom at the forefront of the PropTech wave. Globally, the PropTech industry is witnessing rapid expansion, with a 2018 KPMG survey of the real estate industry revealing that 93 percent of respondents feel that traditional real estate organisations must engage with PropTech companies in order to adapt to the changing global environment.

Conclusion

The regulatory clarity introduced by RERA has created a favourable environment in which new technologies can be utilised and developed. RERA has also bolstered investor confidence within the region and has complemented the Kingdom's efforts to attract private investment into the property market.

Al Tamimi & Company's [Real Estate team](#) regularly advises on All aspects of Real Estate including disposal and acquisitions (with a particular expertise in off-plan sales) and landlord and tenant work. For further information please contact [Unkar Chanian](#) (u.chanian@tamimi.com).